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GAO

Report to Congressional Committees

June 2008

PENSION BENEFIT GUARANTY CORPORATION

A More Strategic Approach Could Improve Human Capital Management

This report was revised on July 17, 2008, because figure 7 on page 19 (Comparison of Key Occupations' Basic Salary Ranges and Average Basic Salaries for PBGC, Federal Financial Regulators, and Other Federal Agencies as of September 2007) was the incorrect graphic. The graphic for figure 7 has been replaced with the correct one; no text changes were made.

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Highlights

Highlights of GAO-08-624, a report to congressional committees

PENSION BENEFIT GUARANTY CORPORATION

A More Strategic Approach Could Improve Human Capital Management

Why GAO Did This Study

The Pension Benefit Guaranty Corporation (PBGC) employs over 800 federal employees and uses some 1,500 private sector employees to insure the pensions of millions of private sector workers and retirees in certain employer-sponsored pension plans. In recent years, PBGC's projected financial liabilities and workloads have increased greatly due to a large number of pension plan terminations. Given this, it is important that PBGC remain well positioned to fulfill its promise to those retirees who depend on it. GAO was asked to report on (1) PBGC's recent experience in hiring and retaining key staff and how it compares to other federal agencies and (2) the actions PBGC has taken to strategically hire and retain key staff and what additional steps, if any, can be taken. To do this, we analyzed PBGC's workforce by using the Office of Personnel Management's (OPM) Central Personnel Data File to identify data and compared those data to data from other federal agencies. We also interviewed officials from selected agencies, including PBGC, OPM, and the Department of Labor.

What GAO Recommends

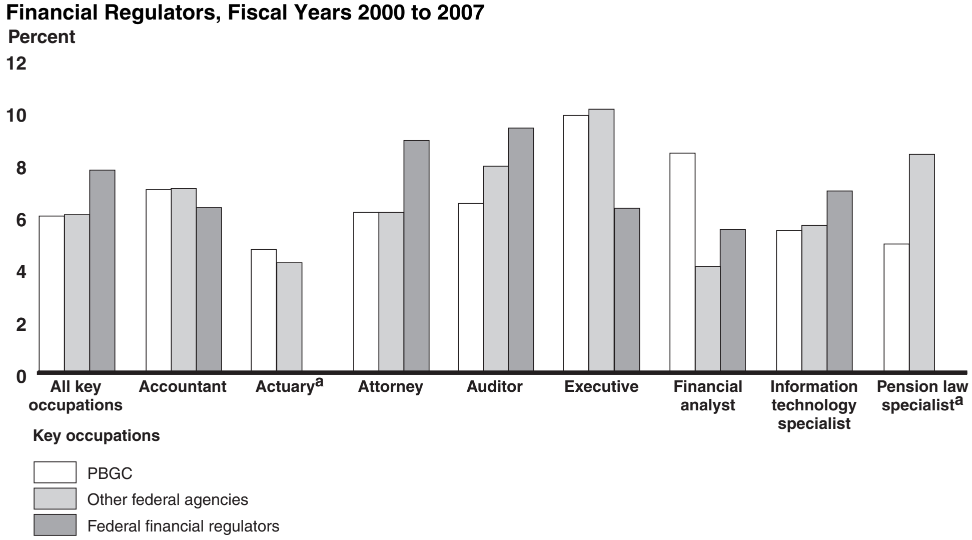
GAO recommends that PBGC integrate workforce and succession planning into its human capital planning approach, systematically collect and analyze necessary workforce data, and fully explore compensation options under its statutory authority. In response, PBGC generally concurred with our recommendations.

To view the full product, including the scope and methodology, click on GAO-08-624. For more information, contact Barbara Bovbjerg, 202-512-7215, bovbjergb@gao.gov.

What GAO Found

From fiscal years 2000 to 2007, PBGC was generally able to hire staff in its key occupations—such as accountants, actuaries, and attorneys—and retain them at rates similar to those of the rest of the federal government. However, PBGC has had some difficulty with hiring and retaining staff for specific occupations and positions, including executives and senior financial analysts. Despite the general ability to hire and retain key staff, data also suggest that PBGC may be faced with workforce challenges; these include managing a workforce with relatively few years of federal experience, the prospect of nearly one-quarter of its key staff retiring within the next 4 years, and difficulty hiring and retaining key staff in the future due to PBGC's existing compensation structure, which offers salaries lower than some federal agencies that employ similar staff, such as the Federal Deposit Insurance Corporation.

PBGC Attrition Rates Compared to Those of the Rest of the Federal Government and Federal Financial Regulators, Fiscal Years 2000 to 2007



Source: GAO analysis of Central Personnel Data File data.

[a]Data indicated that the financial regulators did not employ actuaries or pension law specialists from 2000 to 2007.

While PBGC is making progress in its human capital management approach by taking steps to improve its human capital planning and practices—such as drafting a succession management plan—the corporation lacks a formal, comprehensive human capital plan that integrates several critical components such as workforce planning. Also, even though it collects workforce data, PBGC has not routinely and systematically targeted and analyzed all necessary workforce data—such as attrition rates, occupational skills mix, and trends—to understand its current and future workforce needs. Instead, officials stated that they generally reacted to management personnel requests, and developed human capital data as needed. In addition to limited planning and data analysis, PBGC has not fully explored all available compensation options under its existing statutory authority, even though officials say and data suggest that the corporation's current compensation structure may limit its ability to hire and retain certain key staff.

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Abbreviations:

CPDF	Central Personnel Data File
DOL	Department of Labor
ERISA	Employee Retirement Income Security Act
FCIC	Federal Crop Insurance Corporation
FDIC	Federal Deposit Insurance Corporation
FIRREA	Federal Institutions Reform, Recovery, and Enforcement Act
FPPS	Federal Personnel and Payroll System
FRB	Federal Reserve Board
GS	General Schedule
HCAAF	Human Capital Assessment and Accountability Framework
IT	information technology
NCUA	National Credit Union Administration
NCUSIF	National Credit Union Share Insurance Fund
OCC	Office of the Comptroller of the Currency
OFHEO	Office of Federal Housing Enterprise Oversight
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBGC	Pension Benefit Guaranty Corporation
RIF	reduction in force
SEC	Securities and Exchange Commission
SES	Senior Executive Service
SL	Senior Level
ST	Senior Scientific and Professional

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

June 12, 2008

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate

The Honorable Edward M. Kennedy
Chairman
The Honorable Michael B. Enzi
Ranking Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Pension Benefit Guaranty Corporation (PBGC) insures the pensions of 44 million private sector workers and retirees in over 30,000 employer-sponsored pension plans. Established with the passage of the Employee Retirement Income Security Act of 1974 (ERISA), PBGC employs over 800 federal employees and utilizes the services of some 1,500 private sector employees working for the corporation under various contracts. These individuals support, in part, the corporation's timely and uninterrupted payment of pension benefits to thousands of Americans. PBGC's financial portfolio is one of the largest of any federal government corporation—in September 2007, its assets totaled almost $70 billion. Since fiscal year 2000, the number of participants to whom PBGC has paid benefits has more than doubled and PBGC's projected financial liabilities have increased significantly due to a large number of companies terminating their pension plans.

Although PBGC has taken steps to address its projected financial liabilities, the accumulated large and growing deficits resulting from the termination of several large plans in recent years continue to threaten PBGC's solvency. In prior GAO work, we have highlighted how these losses may have significant implications for retirement security and the federal budget. In fact, in 2003, we added PBGC's single-employer pension insurance program—its largest insurance program—to our high-risk list, a group of federal programs that need urgent attention and transformation. PBGC's single-employer insurance program remains on the high-risk list today.[1] As of September 30, 2007, PBGC projected an accumulated deficit of $14.1 billion for both its single-employer and multiemployer insurance programs.

Given PBGC's liabilities and increased responsibilities, it is important that PBGC remain well positioned to fulfill its promise to those retirees who depend on it. Governmentwide, many federal agencies have lacked a strategic approach that integrates their human capital efforts with their mission and program goals; therefore, we have also placed the area of strategic human capital management on our high-risk list. On the basis of these concerns, we were asked to review PBGC's human capital approach to recruiting and retaining its federal workforce. Specifically, this report assesses (1) PBGC's recent experience in hiring and retaining key staff and how it compares to that of other federal agencies and (2) what actions PBGC has taken to strategically hire and retain key staff and what additional steps, if any, can be taken.

To determine PBGC's recent experience in hiring and retaining staff, we consulted with PBGC executives and human capital officials to identify the key occupations critical to conducting its organizational mission. On the basis of these discussions and in conjunction with a 2002 PBGC workforce planning team report, it was agreed with PBGC officials that we would focus on seven occupations—accountants, actuaries, attorneys, auditors, financial analysts, information technology specialists, and pension law specialists. To identify trends in PBGC's hiring, we analyzed data from the Office of Personnel Management's Central Personnel Data File (CPDF) on PBGC's key occupations from fiscal year 2000 to 2007 and compared that information with that of the rest of the federal government during the same time period.[2] We determined that the CPDF data were sufficiently reliable for the purposes of this report. To identify what actions PBGC has taken to strategically hire and retain staff in key occupations, we reviewed previous GAO work on strategic human capital management, PBGC's insurance programs, and the corporation's management challenges.

[1]GAO, *High Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007).

[2]For purposes of this report, the "rest of the federal government" refers to all federal government executive branch agencies included in the CPDF, except for PBGC and unless otherwise noted.

We also reviewed information on PBGC's organizational objectives and succession planning goals from PBGC documents, such as annual reports and workforce and succession documents. For both objectives, we interviewed officials from PBGC, the Department of Labor (DOL), representatives of PBGC's board of directors, as well as officials from Office of Personnel Management (OPM). As part of our work, we coordinated with OPM on a concurrent review of PBGC human capital operations. At the time of our review, OPM officials confirmed they were finalizing a PBGC Human Resource Operations Evaluation. While OPM's review covered certain aspects of strategic human capital management, OPM's review also focused on specific human capital programs, such as competitive examining.[3] OPM officials stated they would be presenting findings and working with PBGC on corrective measures to improve the corporation's human capital program.

We conducted this performance audit from July 2007 to June 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I discusses our scope and methodology in further detail.

Results in Brief

From fiscal years 2000 to 2007, PBGC was generally able to hire and retain mission critical staff—such as accountants, actuaries, and attorneys—yet the corporation may face workforce and compensation challenges in the future. While PBGC has been able to hire staff for most of its key occupations, PBGC officials stated that the corporation has had difficulty hiring staff for specific occupations and positions, including senior financial analysts and executives. Further, while PBGC retained staff in most key occupations and its overall attrition rate was similar to that of the rest of the federal government, its average attrition rate for financial

[3]OPM delegates competitive examining authority to federal agencies to fill competitive civil service jobs with applicants from outside the federal workforce and with federal employees that do and do not have competitive service status. OPM can suspend or revoke an agency's certification of an agency's delegated examining office at any time, with or without advance notice. For more information on OPM's competitive examining process, see OPM, *Delegated Examining Operations Handbook: A Guide for Federal Agency Examining Offices* (Washington, D.C.: May 2007).

analysts was more than double the rate for the rest of the federal government. Despite the general ability to hire and retain key staff, data also suggest that PBGC may be faced with workforce challenges in the future; these include managing a workforce with relatively few years of federal experience, facing the prospect of nearly one-quarter of its key staff retiring within the next 4 years, and experiencing difficulty hiring and retaining staff due to the corporation's existing compensation structure, which offers salaries lower than some other federal agencies that utilize similar types of occupations, such as the Federal Deposit Insurance Corporation and the Securities and Exchange Commission.

While PBGC is making progress in its human capital management approach by taking steps to improve its human capital planning and practices—such as drafting a succession management plan—the corporation still lacks a formal, comprehensive human capital plan that integrates critical components like workforce planning and succession management. PBGC officials told us that they intend to have a draft human capital plan by the end of fiscal year 2008. In addition, although PBGC collects workforce data, the corporation has not routinely and systematically targeted and analyzed some important workforce data—such as attrition rates, occupational skills mix, and trends—necessary to create an overall workforce profile in an effort to better understand its current and potential future workforce needs. Instead, PBGC human capital officials stated that they generally reacted to managers' personnel requests and developed human capital data as needed. In addition to limited planning and data analyses, we found that PBGC has not fully explored all available compensation options with the Office of Personnel Management, such as critical position pay authority, to determine whether such authorities are applicable and appropriate, even though officials said that the corporation's current compensation structure limits its ability to hire and retain certain key staff.

We are making several recommendations to PBGC that are intended to strengthen the corporation's human capital program. These include integrating workforce planning and succession planning into its development of a formal human capital planning approach, systematically collecting and analyzing workforce data, and fully exploring all compensation options currently available within its statutory authority to determine whether such authorities are applicable or appropriate. In response to our draft report, PBGC generally concurred with our recommendations and outlined the actions the corporation has underway or plans to take with regard to them. Specifically, PBGC stated that the corporation was already taking steps to better manage its workforce, particularly with regard to its human capital succession planning and workforce data analysis. Moreover, the corporation committed to continue to explore appropriate compensation options and maintain a dialogue with OPM, the Office of Management and Budget, and members of PBGC's board of directors. PBGC's comments are reproduced in appendix VI.

Background

Congress passed ERISA to protect the interests of participants and beneficiaries of private sector employee benefit plans. Before the enactment of ERISA, few rules governed the funding of defined benefit pension plans,[4] and participants had no guarantee that they would receive promised benefits. Title IV of ERISA created PBGC to insure private sector plan participants' benefits.[5] PBGC receives no funds from general tax revenues. Instead, operations are financed by insurance premiums set by Congress and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusteed by PBGC, and recoveries from the companies formerly responsible for the plans.

Since its inception, PBGC's workloads have increased significantly. In fiscal year 1975, PBGC administered three pension plans covering a total of 400 participants. By fiscal year 2007, PBGC administered almost 3,800 pension plans, incurring responsibility for more than 1.3 million participants. To service this increased workload, PBGC employed 847 federal employees in fiscal year 2007 working across several divisions. Of the 847, PBGC's key staff totaled 486, of which approximately 10 percent were attorneys, 7.2 percent were accountants, and 3.4 percent were financial analysts (see table 1).

[4]A defined benefit plan is a pension plan where the plan sponsor provides a benefit generally expressed as a monthly benefit based on a formula that generally combines salary and years of service to the company. Defined benefit plans usually express benefits as an annuity, but may offer departing participants the opportunity to receive lump sum distributions.

[5]PBGC administers two programs: the single-employer and multiemployer insurance programs. A single-employer plan is established and maintained by only one employer. Single-employer plans can be established unilaterally by the sponsor or through a collective bargaining agreement with a labor union. 29 U.S.C. § 1002 (41). A multiemployer plan is a collectively bargained arrangement between a labor union and a group of employers in a particular trade or industry. Management and labor representatives must jointly govern multiemployer plans. 29 U.S.C. § 1002 (37).

Table 1: Percentage of PBGC Employees per Key Occupation—Fiscal Years 2004-2007

Key occupation	2004 Number of staff	2004 Percent	2005 Number of staff	2005 Percent	2006 Number of staff	2006 Percent	2007 Number of staff	2007 Percent
Accountant	55	6.9	57	7.1	61	7.2	61	7.2
Actuary	73	9.1	83	10.3	83	9.8	87	10.3
Attorney	79	9.9	83	10.3	92	10.9	85	10.0
Auditor	86	10.8	90	11.2	88	10.4	88	10.4
Executive	27	3.4	26	3.2	31	3.7	34	4.0
Financial analyst	30	3.8	25	3.1	30	3.5	29	3.4
Information technology specialist	56	7.0	69	8.6	74	8.7	71	8.4
Pension law specialist	48	6.0	43	5.3	36	4.3	31	3.7
Total Key Staff	**454**	**56.8**	**476**	**59.1**	**495**	**58.5**	**486**	57.4

Source: GAO analysis of CPDF.

PBGC also relies heavily on the services of a variety of private sector contractors to assist in its mission. As of June 2007, these contractors accounted for 64 percent of PBGC's total workforce. In fiscal year 2007, PBGC reportedly spent $297 million (75 percent) of its $398.3 million operating budget for contracting and related expenses. In addition to operating PBGC's 10 field benefit administration offices throughout the country, private sector contractors supplement federal staff at the corporation's headquarters and a call center facility.

PBGC, like many executive branch agencies, is subject to the General Schedule and the federal pay system.[6] In contrast, certain federal financial regulatory agencies, including the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), and the Securities and Exchange Commission (SEC), have the flexibility to establish their own compensation programs outside the various statutory provisions on classification and pay for executive branch agencies. (See app. II for a list and description of the federal financial regulatory agencies.) These

[6]The General Schedule is a schedule of annual rates of basic pay, consisting of 15 grades, designated GS-1 through GS-15, consecutively, with 10 rates of pay for each such grade. The rates of pay of the General Schedule are adjusted in accordance with 5 U.S.C. § 5303. PBGC also has the authority to appoint and fix the compensation of experts and consultants in accordance with the provisions of 5 U.S.C. § 3109. See ERISA, § 4002(b)(6).

financial regulatory agencies are generally required to seek to maintain pay comparability with each other. [7]

In June 2007, we examined the actions these agencies have taken to assess and implement comparability in pay and benefits with each other.[8] While PBGC has unique responsibilities pertaining to insuring certain employee defined benefit pensions, some of these federal financial regulators highlighted under the Federal Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), such as FDIC and NCUA, also have insurance programs and funds. Further, PBGC employs occupations not only similar to those of the FIRREA agencies, but also to those of SEC, the Office of Federal Housing Enterprise Oversight (OFHEO), and the Federal Reserve Board (FRB).

While human capital authorities and flexibilities vary governmentwide, we have noted in our prior work that there are two key principles that remain central to the human capital idea.[9] First, people are assets whose value can be enhanced through investment, and second, an organization's human capital policies must be aligned to support the organization's "shared vision"—that is, the mission, vision for the future, core values, goals and objectives, and strategies by which the organization has defined its direction and expectations for itself and its people. As noted in the report, all human capital policies and practices should be designed, implemented, and assessed by the standard of how well they help the organization pursue its shared vision.

[7]FIRREA provides FDIC, OCC, NCUA, Federal Housing Finance Board Farm Credit Administration, and the Office of Thrift Supervision with the flexibility to establish their own compensation programs outside the various statutory provisions on classification and pay for executive branch agencies, and requires these agencies to seek to maintain comparability with each other regarding compensation and benefits. Pub. L. No. 101-73, § 1206 (1989). The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, § 1315, requires Office of Federal Housing Enterprise Oversight to maintain comparability with the compensation of employees of certain financial regulators. Pub. L. No. 102-550 (1992). The Investor and Capital Markets Fee Relief Act, § 8(a), Pub. L. No. 107-123, 115 Stat. 2390 (2002) and the Farm Security and Rural Investment Act of 2002, § 10702(a), Pub. L. No. 107-171, 116 Stat. 516 (2002), placed SEC and the Commodity Futures Trading Commission, respectively, under comparability requirements.

[8]GAO, *Financial Regulators: Agencies Have Implemented Key Performance Management Practices, but Opportunities for Improvement Exists.* GAO-07-678 (Washington, D.C.: June 2007).

[9]GAO, *Human Capital: A Self-Assessment Checklist for Agency Leaders*, GAO/OCG-00-14G (Washington, D.C.: September 2000).

We have also reported that strategic workforce planning generally addresses the alignment of an organization's human capital program with its current and emerging mission and programmatic goals and the development of long-term strategies for acquiring, developing, motivating, and retaining staff to achieve programmatic goals.[10] There are a variety of models of how federal agencies can conduct workforce planning, but certain key principles are generally common to such planning:

- involving top management, employees, and other stakeholders in developing, communicating, and implementing the strategic workforce plan;
- determining skills and competencies needed in the future workforce to meet the organization's goals and identifying gaps in skills and competencies that an organization needs to address;
- selecting and implementing human capital strategies that are targeted toward addressing these gaps and issues;
- building the capacity needed to address administrative, educational, and other requirements important to support workforce planning strategies; and
- evaluating the success of the human capital strategies.

According to our strategic human capital management model, self-assessment is the starting point for creating "human capital organizations"—agencies that focus on valuing employees and aligning "people policies" to support organizational performance goals. Part of the impetus for creating human capital organizations comes from the Government Performance and Results Act of 1993,[11] but agencies themselves must follow through on tailoring their human capital systems to their specific missions, visions for the future, core values, objectives, and strategies. To strategically manage an agency's human capital approach, there are certain planning documents an agency can utilize:

- **Strategic mission plan:** An overall agency strategic plan includes a clear and coherent shared vision of an agency's mission, goals, values, and strategies that is clearly and consistently communicated and reinforced to all employees.

[10]GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: December 2003).

[11]The Government Performance and Results Act of 1993 was intended to improve the effectiveness and the efficiency of federal programs by establishing a system to set performance goals and measure results.

- **Human capital strategic plan:** A coherent human capital strategic plan, integrated with the agency's overall strategic planning, outlines a framework of human capital policies, programs, and practices specifically designed to steer the agency toward achieving its shared vision.

- **Succession plan:** A formal succession plan includes a review of the agency's current and emerging leadership needs in light of its strategic and program planning, identifies sources of executive talent both within and outside the agency, and includes planned development opportunities, learning experiences, and feedback for executive candidates.

- **Workforce plan:** A workforce planning document, linked to the agency's strategic and program planning efforts, identifies its current and future human capital needs, including the size of the workforce; its deployment across the organization; and the knowledge, skills, and abilities needed for the agency to pursue its shared vision.

Appendix III discusses elements of GAO's human capital framework in further detail.

PBGC Has Generally Been Able To Hire and Retain Key Staff, but May Face Workforce and Compensation Challenges in the Future

From fiscal years 2000 to 2007, PBGC was generally able to hire and retain staff in its key occupations, but the corporation has had some difficulty hiring and retaining financial analysts and certain other staff. Despite difficulty in these areas, PBGC's overall ability to retain staff in key occupations has been similar to that of the rest of the federal government. However, our analysis suggests that PBGC may face several workforce and compensation challenges in the future—such as (1) a workforce with relatively fewer years of federal experience, (2) the possible retirement of up to a quarter of its workforce within the next 4 years, and (3) the potential difficulty of hiring and retaining staff due to the corporation's existing compensation structure, which offers salaries lower than those of some other executive branch agencies that employ similar staff.

PBGC Has Generally Been Able to Hire Staff for Key Occupations, but Has Experienced Difficulties in Filling Certain Positions

From fiscal years 2000 to 2007, PBGC was generally able to hire staff for occupations it views as key to its organizational mission—accountants, actuaries, attorneys, auditors, financial analysts, information technology specialists, and pension law specialists. Our analysis of OPM's CPDF found that from fiscal years 2000 to 2007, PBGC hired 289 employees in these key occupations, compared to 203 employees in those occupations who left PBGC. Of these, PBGC hired more people than it lost in each of the key occupations except for attorneys and pension law specialists.

Additionally, PBGC officials stated that data indicated that it was able to fill 65 percent of its vacancies in fiscal year 2007 across all occupations within 45 days of the close of the announcement of the job vacancy, exceeding OPM's government standard of 60 percent for that year.[12] However, PBGC officials emphasized that the 45-day hiring model, which includes data across all occupations, can hide the corporation's inability to fill certain key positions.[13]

PBGC officials acknowledged that the corporation was generally able to hire people for most of its key occupations, but they stated they have had difficulty filling certain positions like the chief financial officer, senior financial analyst, systems accountant, and procurement attorney. To address this difficulty, PBGC officials stated that the corporation has left some positions unfilled and on occasion has hired individuals who required in-house training.

PBGC's Overall Attrition Rate Is Similar to Those of Other Federal Agencies, but Rates Differ for Certain Key Occupations

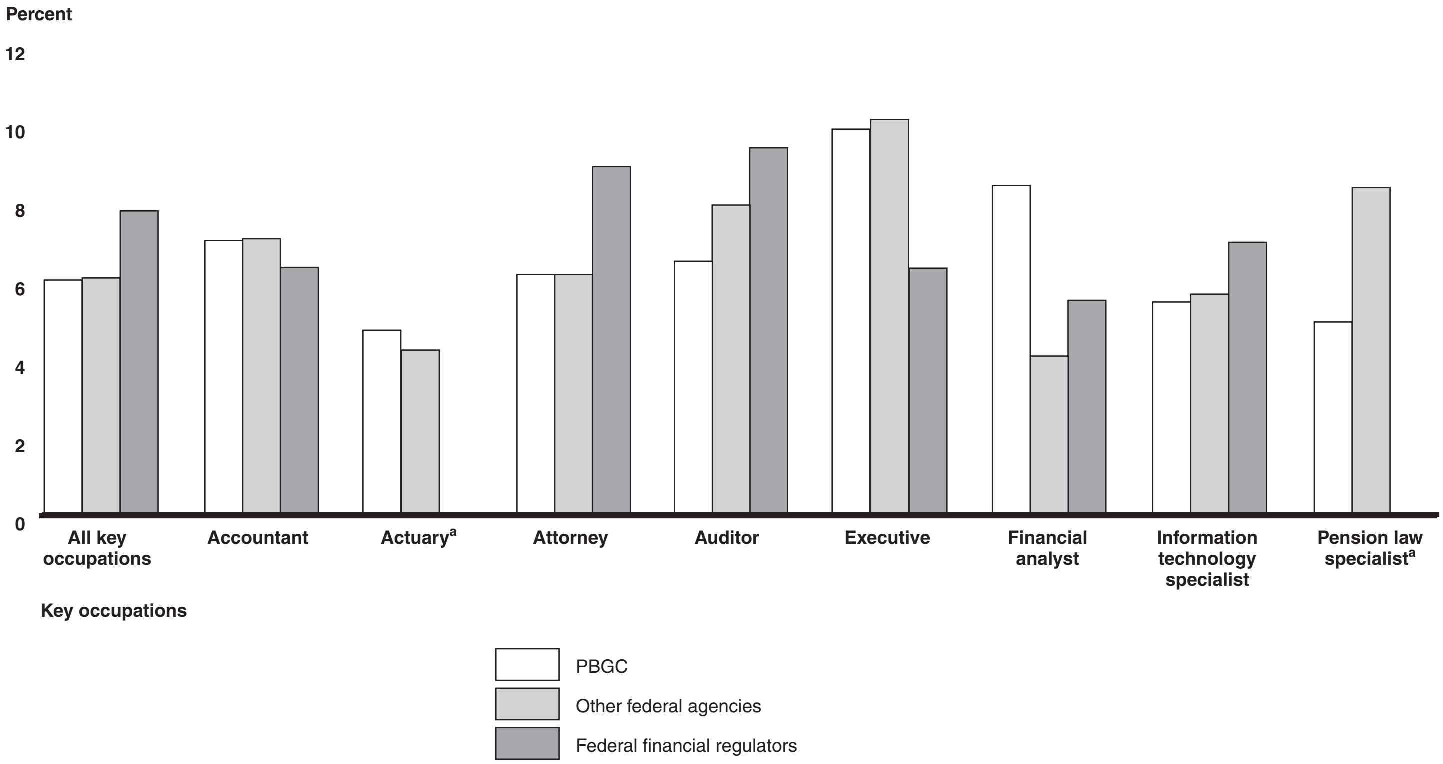
From fiscal year 2000 to 2007, PBGC retained staff at rates similar to the rest of the federal government for the corporation's key occupations. PBGC's overall average attrition rate was about 6 percent for these occupations, roughly equal to that of other federal agencies over that period (see fig. 1).[14] For example, for occupations like attorneys and information technology specialists, the attrition rates were similar to those of other federal executive branch agencies. Likewise, the attrition rates for PBGC's executives were similar to those of other federal executive branch agencies. Our analysis also found that PBGC's overall attrition experience was comparable to those at the federal financial regulatory agencies—such as FDIC and SEC. However, attrition rates did differ for certain key occupations. For example, PBGC's attrition rates for financial analysts were greater than those of other agencies, with an average attrition rate of 8.4 percent, compared to 3.7 percent in other federal executive branch agencies governmentwide, and 5.5 percent for the financial regulators.

[12]Fiscal year 2007 is the first year that PBGC had complete hiring model data available.

[13] To determine whether PBGC's seven key occupations met the OPM 45-day hiring model standards, we requested additional information from PBGC to isolate the 45-day hiring model data for these positions. However, after several requests, PBGC did not provide us with that data.

[14] For purposes of this report, "attrition rate" is defined as the number of separations of permanent employees divided by the average number of permanent employees for an agency or a specific subgroup (see app. I).

Figure 1: PBGC Attrition Rates Compared to Those at Other Federal Agencies and the Federal Financial Regulators, Fiscal Years 2000 to 2007

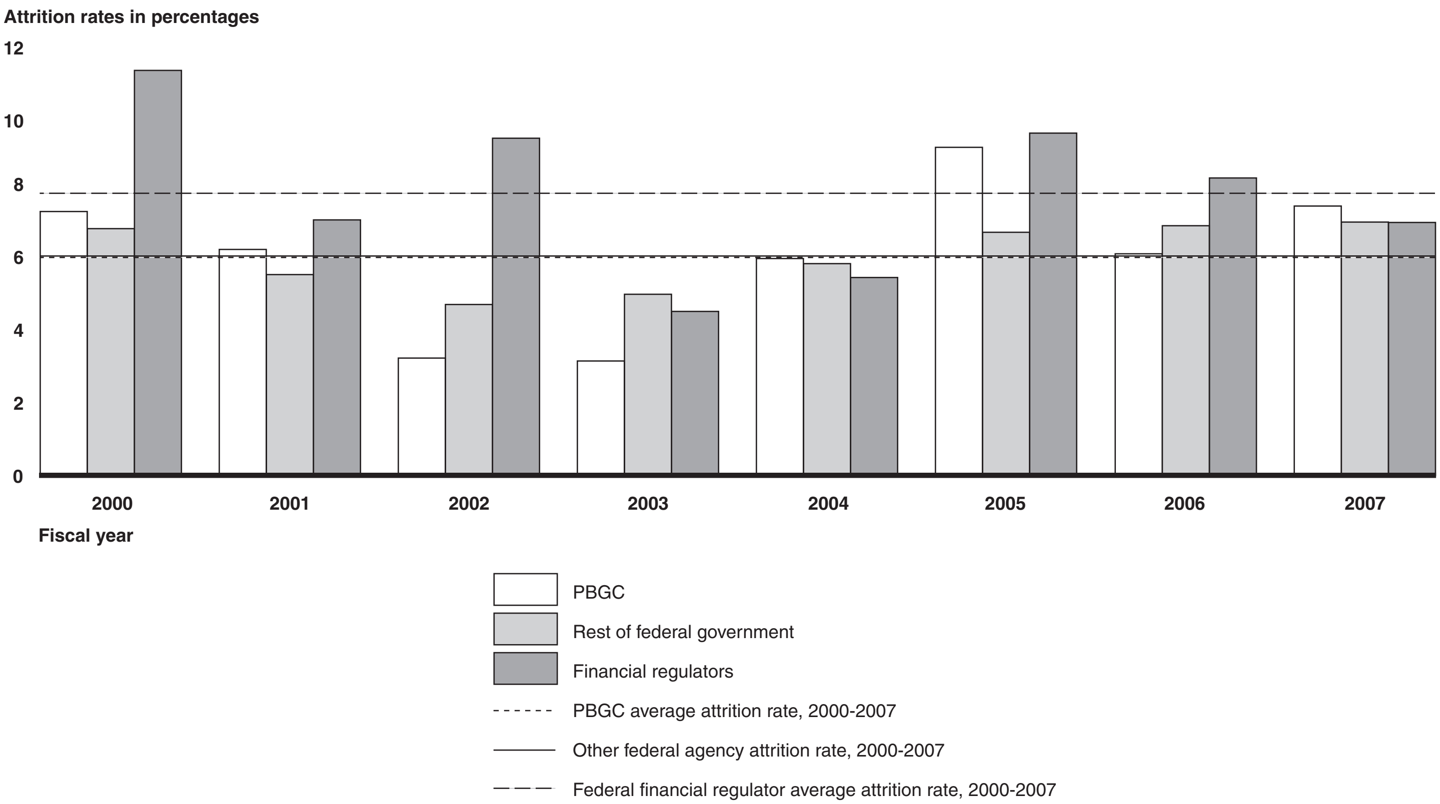


Source: GAO analysis of CPDF data.

[a]CPDF data did not show that the federal financial regulators employed actuaries or pension law specialists from 2000 to 2007.

Further, over the last 3 years, PBGC's and other executive branch agencies' overall attrition rates were higher than their 8-year averages, which were nearly identical, as shown in figure 2, while the rates for the federal regulators collectively dipped below their 8-year average in 2007 (see fig. 2).

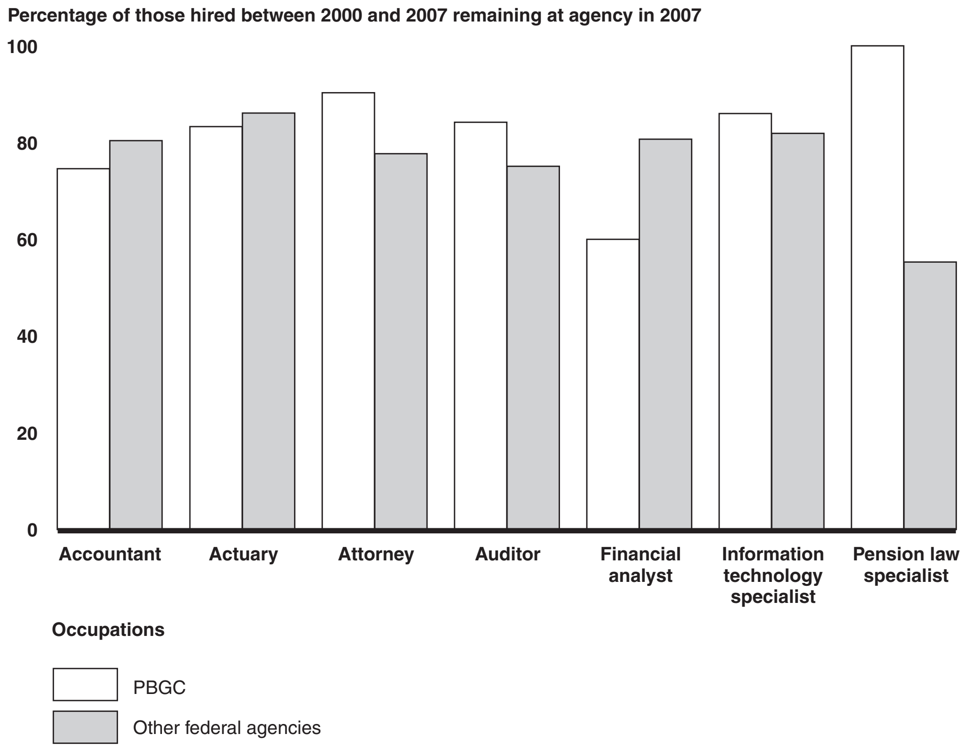
Figure 2: Comparison of Overall Attrition Rates for Key Occupations, Fiscal Years 2000 to 2007



Source: GAO analysis of CPDF data.

PBGC's attrition rates for staff hired from fiscal years 2000 to 2007 were also similar to rates at other federal executive branch agencies. For the seven key occupations collectively, a total of 10.8 percent of key PBGC staff hired from fiscal years 2000 to 2007 left during their first 2 years of employment, roughly equal to staff in these positions at other federal executive branch agencies. However, at PBGC, only 60 percent of financial analysts remained; a rate lower than for the six other key occupations hired during these 8 years (see fig. 3).

Figure 3: Comparison of New Hires Remaining, by Occupation, at PBGC and Other Federal Agencies, Fiscal Years 2000 through 2007

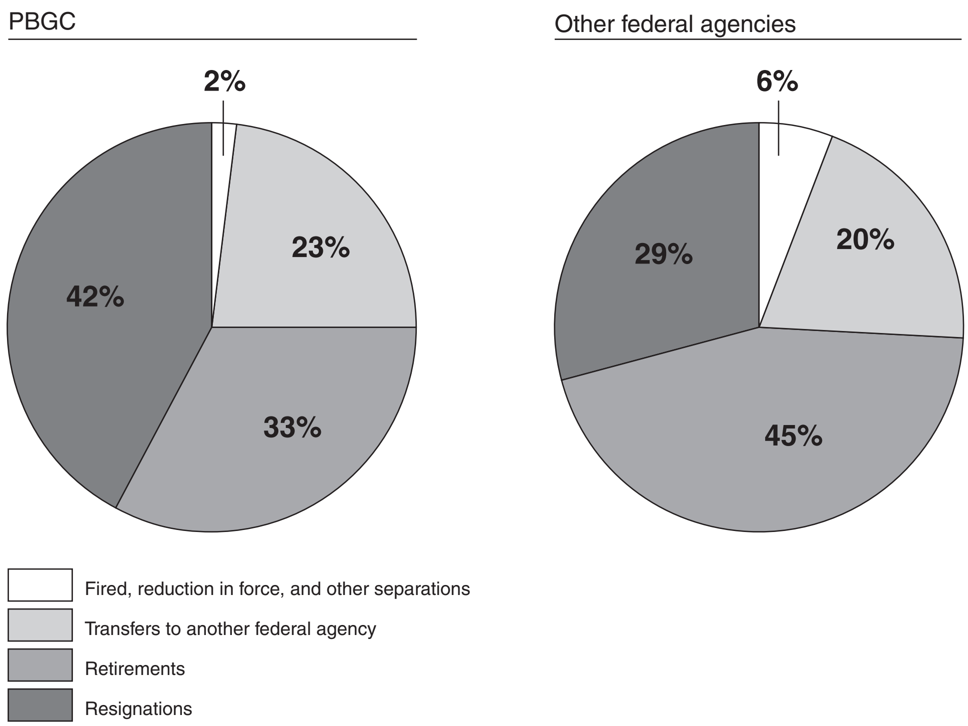


Source: GAO analysis of CPDF data.

In reviewing staff separations from the corporation, we found that departing PBGC staff in key occupations were more likely to resign from federal employment—for example, seeking employment outside the federal government—than their counterparts in other federal agencies (see fig. 4). We could not determine where employees that resigned from the federal government moved to because CPDF does not include information on employment outside the federal government. However, PBGC officials indicated that while they do not systematically track the employment of all their employees after separation, it was common for employees to find employment with private sector entities after leaving PBGC.

Our analysis also found that during the same time period, key staff departing from PBGC were slightly more likely than staff from other agencies to transfer to another federal agency (see fig. 4). However, no identifiable pattern existed among the specific federal agencies to which PBGC staff transferred. In fact, from fiscal year 2000 to 2007, CPDF data showed that 47 PBGC staff in key occupations transferred to 23 different federal agencies and only one of those agencies—the Department of Labor—employed more than 5 of these staff. On the basis of the results of PBGC's voluntary exit surveys and additional information collected by PBGC officials, employees frequently cited greater pay as a reason why they left PBGC for the private sector or another federal agency.

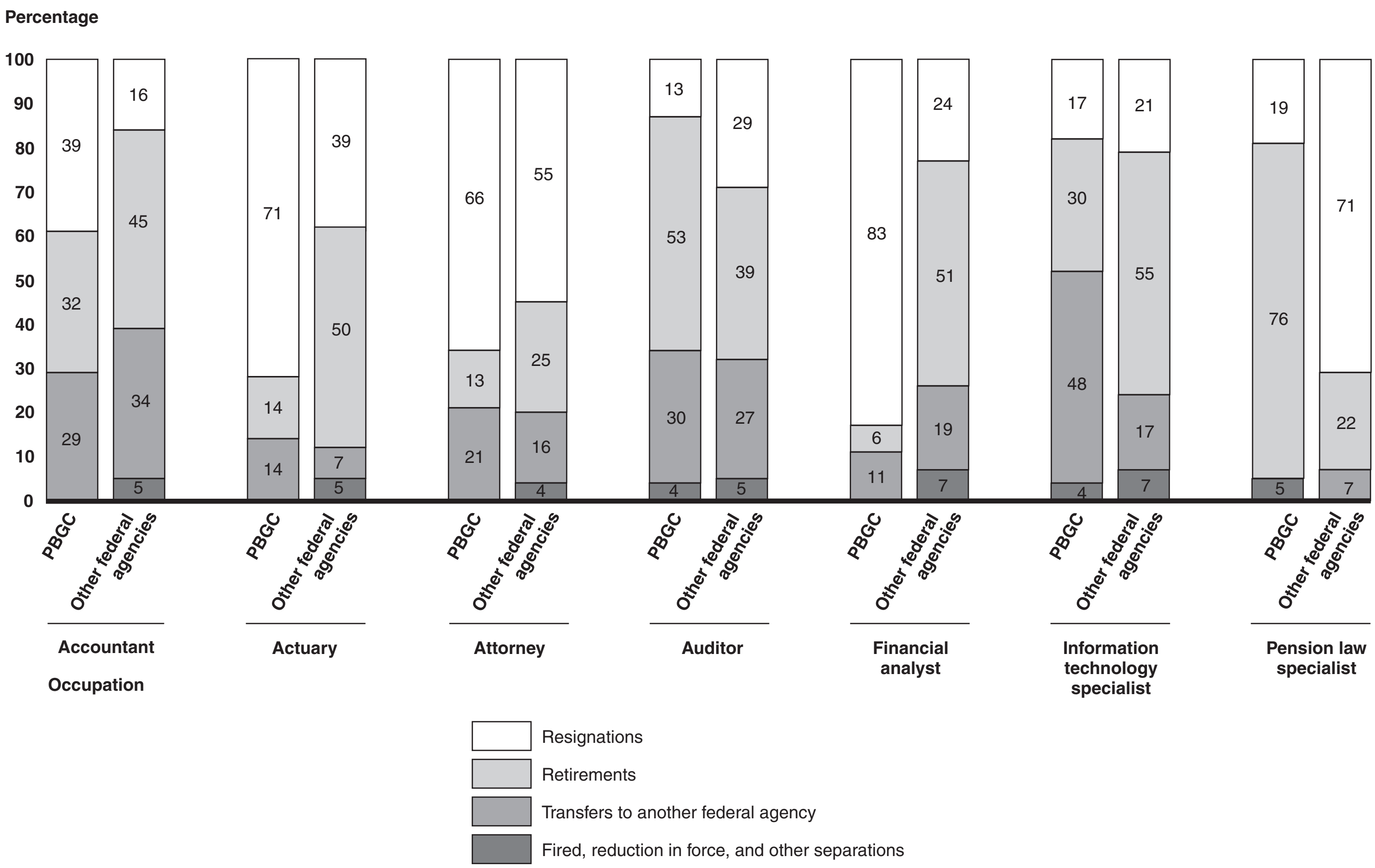
Figure 4: Type of Separation for Staff in Key Occupations at PBGC and Other Federal Agencies Overall, Fiscal Years 2000 Through 2007



Source: GAO analysis of CPDF data.

Further differences existed in PBGC's seven key occupations with respect to whether departing staff retired, transferred to another agency, or otherwise resigned. According to CPDF data, resignations accounted for 83 percent of separations for financial analysts, the highest rate of any key occupation, while resignations accounted for just 13 percent of auditors' separations. Other federal agencies also experienced varied rates across occupations with respect to types of separations (see fig. 5).

Figure 5: Types of Separation by Key Occupation for PBGC and Other Federal Executive Branch Agencies, Fiscal Years 2000 through 2007



Source: GAO analysis of CPDF data.

Note: Totals may not add up to 100 due to rounding.

PBGC May Face Workforce Challenges Regarding Key Staff Experience, Retirement Eligibility, and Compensation Limitations

Despite the corporation's overall ability to hire and retain key staff, our analysis of CPDF data suggests that PBGC may face several workforce challenges in the future, such as (1) a staff with relatively fewer years of federal experience, (2) the possibility of losing a significant number of its key staff due to retirement eligibility, and (3) potential difficulties hiring and retaining certain staff because of PBGC's compensation.

First, in fiscal year 2007, PBGC's key staff had relatively fewer years of federal experience than their counterparts in other federal executive branch agencies.[15] Specifically, according to CPDF data, overall key PBGC staff had an average of 12.8 years of federal experience, while staff in similar positions at the other federal executive branch agencies had 16.8 years of federal experience. Additionally, we found that while 25 percent of PBGC's accountants had less than 3 years of experience, only 10 percent of accountants in other executive branch agencies had similar years of experience. In fact, for every key occupation except pension law specialist, PBGC had a greater percentage of staff with less than 3 years of experience compared to other agencies, though in some cases the differences were slight (see table 2). Similarly, PBGC's workforce data corroborated this finding. Our analysis of the corporation's tenure data indicated that 23.3 percent of accountants, auditors, attorneys, financial analysts, and actuaries had 3 or fewer years of experience.

Table 2: Percentage of Staffs' Years of Federal Experience by Key Occupation, Fiscal Year 2007

	Accountant		Actuary		Attorney		Auditor		Financial analyst		Information technology specialist		Pension law specialist	
Years	PBGC	Other federal agencies	PBGC	Other federal agencies	PBGC	Other federal agencies	PBGC	Other federal agencies	PBGC	Other federal agencies	PBGC	Other federal agencies	PBGC	Other federal agencies
0 to < 3	25	10	28	21	18	13	23	16	24	10	11	9	0	10
3 to < 6	13	10	16	13	11	13	11	11	7	8	20	9	0	17
6 to < 11	20	11	25	14	9	19	10	14	21	13	15	13	19	24
11 to < 21	23	30	26	26	30	31	38	27	34	37	32	28	51	25
21 or more	20	39	4	26	32	24	18	32	13	33	21	42	29	24

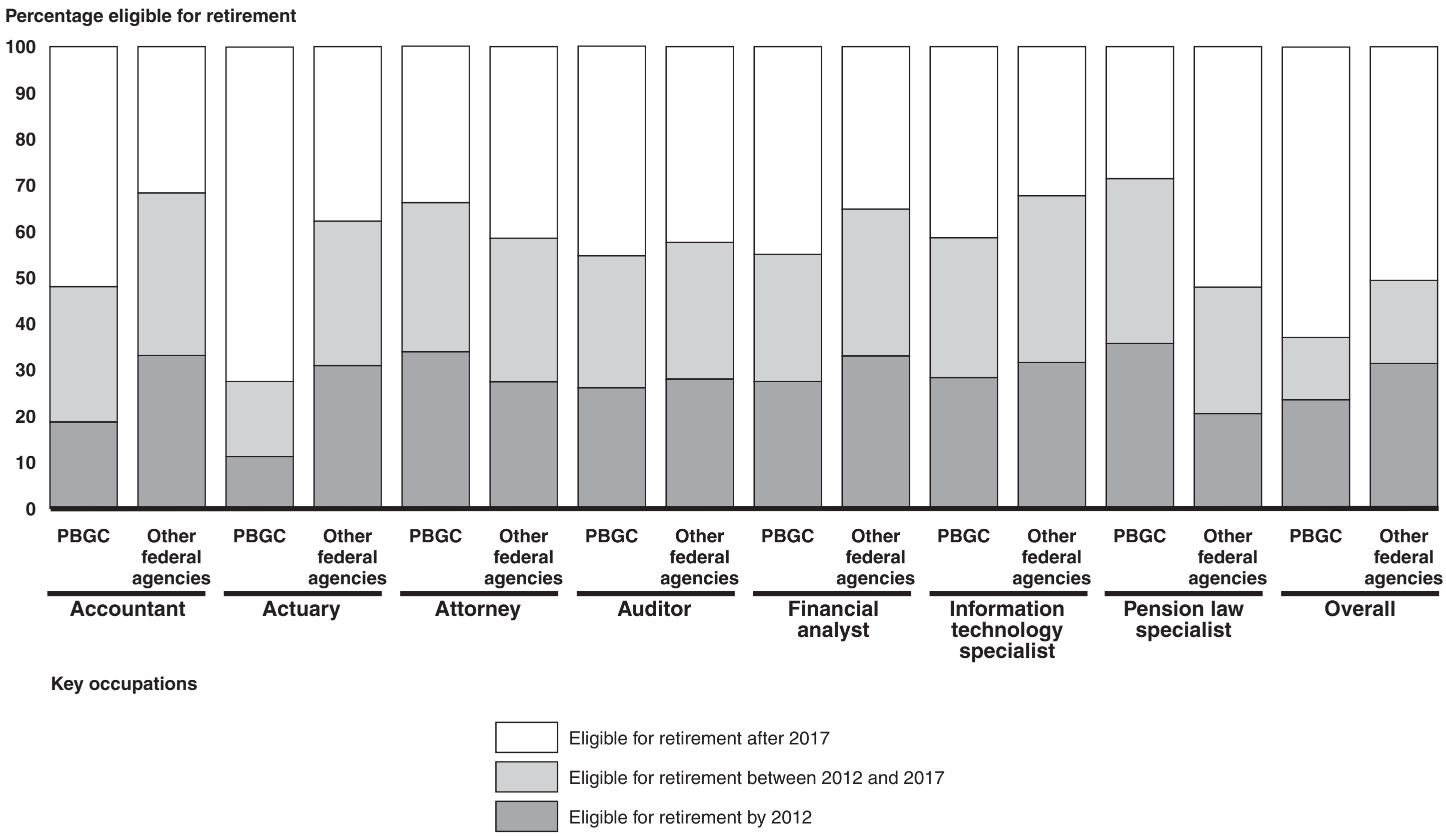
Source: GAO analysis of CPDF.

[15] Years of federal experience show total federal government experience and not whether that experience is related to an employee's current job.

The limited federal experience may indicate a workforce challenge for PBGC, because PBGC officials said that it can take entry-level staff 3 to 4 years to reach full productivity. However, PBGC officials added that the corporation regularly hires individuals with prior private sector experience, so not all staff with limited tenure at PBGC would be entry-level staff. For more seasoned staff, PBGC officials said that there is generally an expectation that such staff will reach full productivity within a 90- to 120-day time frame. Using CPDF, we could not determine the extent of an individual's work experience outside of the federal government.

Second, PBGC faces the prospect of losing a significant number of its key staff due to retirement eligibility. Over the next 4 years, nearly one-quarter of PBGC's staff in key occupations will be eligible to retire. While this rate is lower than that of other federal executive branch agencies—about 32 percent of staff at other federal executive branch agencies in these occupations will be eligible to retire in the next 4 years—retirement eligibility could still present a workforce challenge for PBGC, because the corporation could lose key institutional knowledge. According to CPDF data, PBGC's pension law specialists and attorneys will have the greatest retirement eligibility over the next 4 years (see fig. 6).

Figure 6: Retirement Eligibility of Key PBGC Occupations, Fiscal Years 2012, 2017, and beyond 2017



Source: GAO analysis of CPDF data.

Third, PBGC may face difficulties in hiring and retaining certain key staff in the future due to the corporation's existing compensation structure, which offers salaries lower than some other federal agencies that employ similar occupations. Specifically, PBGC officials noted that the corporation—which is subject to the General Schedule—has lost staff to some federal financial regulators that are not on the General Schedule and pay higher salaries for these key occupations. While our analysis found that PBGC has lower pay ranges and lower average basic salaries (which do not include locality pay) than the federal financial regulators in these key occupations, CPDF data did not suggest that large numbers of key PBGC staff were leaving the corporation for these agencies. In addition, PBGC's data indicated that just 7 of 99 departing employees (from all occupations, not just key occupations) transferred to federal financial regulators between fiscal year 2005 through 2007—PBGC officials said that these 7 employees left PBGC for increased pay.

While PBGC's average salaries were lower than those at the financial regulators, PBGC staff collectively have pay ranges and salaries similar to those in other federal executive branch agencies, many of which are subject to the General Schedule. For example, salaries for attorneys, auditors, and executives at other federal agencies were generally similar to those at PBGC. However, PBGC had higher average salaries for financial analysts, accountants, and information technology specialists and lower average salaries for pension law specialists and actuaries (see fig. 7).

Figure 7: Comparison of Key Occupations' Basic Salary Ranges and Average Basic Salaries for PBGC, Federal Financial Regulators, and Other Federal Agencies as of September 2007

	Base salary minimum and maximum by occupation			
Regulator	**Accountant**	**Actuary**	**Attorney**	**Auditor**
PBGC	$46,974 $120,981 ● $72,130	$25,623 $120,981 ● $72,131	$71,415 $120,981 ● $99,724	$25,623 $108,573 ● $67,929
Federal financial regulators	$46,110 $175,795 ● $115,444	CPDF did not indicate that the federal financial regulators employed actuaries as of September 2007	$61,597 $231,000 ● $129,668	$56,526 $225,000 ● $113,076
Other federal agencies	$25,623 $145,400 ● $68,951	$31,740 $168,000 ● $91,048	$38,824 $201,365 ● $100,142	$25,623 $164,467 ● $69,844

	Base salary minimum and maximum by occupation			
Regulator	**Executive**	**Financial analyst**	**Information technology specialist**	**Pension law specialist**
PBGC	$111,676 $145,400 ● $132,456	$40,118 $111,675 ● $80,712	$31,740 $120,981 ● $89,501	$50,106 $82,575 ● $64,943
Federal financial regulators	$125,602 $249,165 ● $181,367	$48,807 $168,695 ● $104,690	$46,826 $192,308 ● $102,941	CPDF did not indicate that the federal financial regulators employed pension law specialists as of September 2007
Other federal agencies	$75,446 $215,700 ● $153,069	$31,740 $120,981 ● $71,979	$25,161 $150,629 ● $71,294	$38,824 $120,981 ● $88,510

● Average basic pay

Source: GAO analysis of CPDF data.

Notes: The figure shows the minimum base salary and the maximum base salary of an occupation for which CPDF data indicated that agencies had staff as of September 2007. These reported base salaries do not include locality pay or certain other pay, such as retention incentives or spot awards. The figure does not show the minimum and maximum pay allowed by statute. However, the maximum pay allowed under the General Schedule in September 2007, for a GS-15, Step 10, was $120,981 (not including locality pay). While the General Schedule is the federal government's main pay system for white collar positions, some employees in certain other federal agencies, including the federal financial regulatory agencies, are not in the General Schedule system and have different possible salary ranges (see GAO-07-678).

Executives include political appointees above GS-15, such as those in the Senior Executive Service, those in the Senior-Level and Senior Scientific or Professional pay plans, and equivalent officials. Different executive pay plans have different pay ceilings. For example, the Senior Level and Senior Scientific and Professional pay plans (SL and ST) have lower ceilings than the Senior Executive Service pay plan. PBGC executives included the Director of PBGC and those in the Senior Level pay plan. The maximum base pay allowed for SES in 2007 was the rate for level II of the Executive Schedule ($168,000) for agencies with a certified performance appraisal system, or the rate for level III of the Executive Schedule ($154,600) for agencies without a certified performance appraisal system. The maximum base pay allowed for SL/ST employees in 2007 was $145,400 (the rate for level IV of the Executive Schedule). However, SL/ST employees working in the 48 contiguous states also received locality payments ranging from 12.6 percent to 30.3 percent in 2007, depending on location, with locality rates capped at the rate for level III of the Executive Schedule, or $154,600.

We submitted the relevant PBGC data to PBGC officials, who concurred with the basic ranges and averages for PBGC.

While this information may be informative on a broad scale, the number of years of experience and general schedule grade level at which PBGC workers are hired play a significant role in their salaries, as is true for other federal executive branch agencies on the General Schedule as well. However, because the financial regulators are not subject to the General Schedule, these agencies have greater flexibilities in setting their salaries. (App. IV contains information on minimum and maximum pay ranges and average salary for mission critical occupations for selected federal agencies.)

PBGC Has Taken Some Steps to Strategically Manage Its Workforce, but Has Not Prepared for Possible Workforce and Compensation Challenges

PBGC has taken some steps in recent years to improve its human capital planning and practices. These steps have included drafting planning documents, such as components of a human capital plan like a succession management directive. However, as of March 2008, the corporation had no formal, comprehensive human capital plan integrating all necessary components to prepare for future challenges, nor had it systematically collected and analyzed its workforce data to identify such challenges. In addition to limited planning and data, PBGC had not fully explored all available compensation options under its statutory authority even though corporation executives stated that PBGC's compensation structure may hinder it from attracting and retaining key staff.

While PBGC Is Making Progress toward Better Human Capital Management, No Formal, Comprehensive Human Capital Plan Exists to Prepare for Future Challenges

PBGC has taken steps to improve its human capital planning and practices. These steps have included drafting planning documents, such as components of a human capital plan like a succession management directive. In addition, PBGC has included key human capital goals in its annual report. This report highlights PBGC's initiatives for the management of human capital, such as ensuring employees have the skills and competencies needed to support its mission and establishing a performance-based culture within the corporation. PBGC has made some progress toward these goals. For instance, PBGC recently hired a new director of human resources and a new human capital specialist with expertise in human capital and succession planning. Also, in an effort to establish a performance-based culture, PBGC linked employees' performance expectations to corporate goals and objectives in 2007. Specifically, key PBGC human capital officials, including the Chief Management Officer, are to be evaluated based on their progress toward developing strategic human capital plans and policies.

In addition, the human capital office is developing new human capital policies and practices, including increasing management's involvement in order to produce better results. Toward that end, a PBGC official stated that the human capital office is planning to adjust the process of writing position descriptions so that the human capital specialist and the department manager can discuss the position's responsibilities and duties and create job announcements more collaboratively. Furthermore, PBGC's human capital office has developed and implemented various recruitment strategies in recent years, such as an outreach program to colleges and universities and recruitment through federal internship and fellowship programs. PBGC human capital officials stated that certain recruitment strategies are being reassessed, with the goal of increasing their effectiveness.

Despite these actions, the corporation lacks a formal, comprehensive human capital strategy, articulated in a formal human capital plan that includes human capital policies, programs, and practices.[16] In our previous

[16]According to GAO's internal control and management tool, agencies should have control activities, such as policies, procedures, techniques, and mechanisms that help ensure that management's directives to mitigate risk identified during the risk assessment process are carried out. Common categories of control activities include, in part, management of human capital. As part of human capital management, agencies should consider having a coherent overall human capital strategy that encompasses human capital policies, programs, and practices to guide the agency. GAO, *Internal Control Management and Evaluation Tool*, GAO-01-1008G (Washington, D.C.: Aug. 1, 2001).

work we have identified critical success factors that agencies should use to manage their workforces strategically.[17] The critical success factors are interrelated and mutually reinforcing so that no human capital issue can be compartmentalized and addressed in isolation (see app. III). Workforce planning and succession management, among other things, are critical components of a comprehensive human capital plan.

Workforce planning uses workforce data to develop long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals and prepare the agency for its current and future needs.[18] In 2001, PBGC established a workforce planning team and conducted a comprehensive review of its future human capital needs in response to a GAO recommendation in 2000.[19] As part of this effort, the team identified needed skills and future critical needs for the corporation and prepared a gap analysis for the seven key occupations. [20] From this analysis, the team then determined if and where workforce gaps existed and formulated corresponding strategies to address the gaps, all of which was documented in a workforce planning report drafted in 2002 that was to serve as the basis for its future ongoing workforce planning efforts. Since that time, the corporation has conducted little workforce planning and the workforce planning team has dissolved. However, PBGC has recently done more in the area of succession planning, with the goal of identifying and developing appropriate leaders to meet their future challenges.[21] In fact, PBGC human capital officials have drafted a succession management plan,

[17]GAO, *A Model of Strategic Human Capital Management.* GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

[18]GAO-04-39 and GAO-02-373SP.

[19]GAO/HEHS-00-130. In our previous work on PBGC's contracting management, we recommended that PBGC conduct a "comprehensive review" of its future human capital needs and establish an executive steering committee to manage the process of workforce planning from a macro perspective. The report further recommended that the review include analysis of workforce size and deployment across the corporation and of the knowledge, competencies, and abilities required in conducting PBGC's business. Subsequently, PBGC commissioned the National Academy of Public Administration to conduct a workforce study, which resulted in a six-step Workforce Planning Model conducive to PBGC's business culture.

[20]A gap analysis is used to identify the gaps between critical skills—skills vital to the accomplishment of an agency's goals and objectives—and competencies currently needed by an agency's workforce and those that will be needed in the future.

[21]GAO, *Human Capital: Succession Planning and Management Is Critical Driver of Organizational Transformation*, GAO-04-127T (Washington, D.C.: Oct. 1, 2003).

and the corporation continues to use a program developed in 2002 to prepare staff for PBGC's leadership vacancies.

According to a senior PBGC official, the corporation has lacked a formal, comprehensive human capital plan in recent years because the increased workload and demand for qualified staff required the human capital office to primarily focus on hiring and training new staff, with little time to strategically plan, and because the human capital office required a higher level of expertise to develop a comprehensive human capital strategy. However, PBGC officials stated that because PBGC has now acquired such expertise with the hiring of a new human capital director and a new human capital specialist, the corporation intends to have a formal human capital strategic plan by the end of fiscal year 2008.

GAO's prior work has shown that high-performing organizations must have a leadership team committed to human capital management who personally develop and direct reform and continuously drive improvement.[22] Several PBGC officials have undertaken actions to conduct succession planning within their own departments; however, differing opinions among PBGC's leadership concerning some aspects of human capital planning—such as workforce and succession planning—may complicate and prolong PBGC's strategic efforts. For example, some PBGC executives conduct departmental succession planning, while others believe any succession management plan should incorporate a corporate viewpoint. Our prior work suggests that efforts to address human capital management are most likely to succeed if an agency's top management and human capital leaders set the overall direction, pace, tone, and goals from the outset.[23]

Limited Data Analysis on PBGC's Overall Workforce May Hinder Its Ability to Address Current and Future Human Capital Needs

PBGC has not routinely and systematically targeted and analyzed all key workforce data—such as attrition rates, occupational skills mix, and trends—necessary to create an overall workforce profile that addresses current and future workforce needs. Instead, PBGC human capital officials stated that they generally collected personnel data and reported certain workforce statistics—such as counts of the number of open positions filled, recruitment and retention incentives used, workforce diversity, and separation—for top management on a monthly basis. However, the

[22] GAO-02-373SP.

[23] GAO-04-39.

monthly report does not provide context regarding the significance of these statistics for the corporation as a whole. Furthermore, officials stated that they generally conducted in-depth data collection and analysis in response to requests from the corporation's executive management. For example, in 2006, PBGC's human capital office conducted an analysis of the representation of minorities and women by grade and occupation to target the corporation's recruitment with the goal of ensuring a diverse workforce. However, because such analysis has been conducted only periodically and on requested topics, information on PBGC's overall workforce trends has been limited and therefore unavailable for anticipating the corporation's current and future needs.

While PBGC's human capital office has conducted some workforce analysis, it has not taken steps to formally evaluate needed data that could inform its workforce planning efforts. Our prior work has found that collecting and analyzing workforce data are fundamental to measuring the effectiveness of an organization's human capital approaches in support of the mission and goals of an agency.[24] To evaluate factors affecting attrition, agencies can compare their attrition rates to those of other federal agencies, estimate the cost of recruiting and training new employees who leave and the cost of recruiting and training their replacements, and evaluate labor market conditions in locations where it operates. While PBGC's human capital office maintains data on the corporation's attrition rates, it does not perform certain types of analysis to better understand its attrition. As of March 2008, PBGC had not conducted any of these analyses.

Similarly, the corporation has done little since 2002 to identify and analyze its workforce skills by gathering skills data on current employees, critical skills that are needed throughout the agency, to determine if and where gaps exists. Our prior work has noted that maintaining current information on staff members' critical skills and competencies is especially important for federal agencies operating in an ever-changing environment. Shifts in national priorities, budget constraints, and other factors affect the critical skills an agency needs to fulfill its mission.[25] For PBGC, such information is particularly useful for determining and addressing gaps in the critical workforce skills of staff and making efficient resource allocations, because PBGC must respond quickly to changes in the financial markets

[24]GAO-02-373SP.

[25]GAO-04-39.

and defined benefit pension plan industry. However, PBGC has only in recent months, and at the request of the newly hired Chief Information Officer, taken steps to evaluate the critical skill needs and gaps of one of its key occupations—Information Technology Specialist. For the other key occupations, PBGC had not yet determined or updated the skills inventory and competencies of its workforce, as of March 2008. PBGC officials told us that they planned to develop a process for identifying such skill needs by the end of fiscal year 2008.

Although PBGC Faces Possible Compensation Challenges, It Has Not Fully Explored All Available Compensation Options

PBGC has not fully explored all available compensation options under its statutory authority, even though corporation officials stated that PBGC's current compensation structure limits its ability to hire and retain certain key staff. While data suggest that PBGC is generally able to hire and retain most key staff, PBGC officials have expressed the belief that the corporation is at a competitive disadvantage not only with the private sector, but also with certain federal agencies like FDIC and SEC that employ similar staff. As we noted, while PBGC staff in key occupations have pay ranges and salaries similar to those of the rest of the federal government, PBGC's pay ranges and average salaries are lower than those of their counterparts at some similar agencies. Moreover, data suggest that as of September 2007, PBGC's highest pay for financial analysts, the key occupation that PBGC appears to have the most difficulty hiring and retaining, was lower than that of both the federal financial regulators and the rest of the federal government. Yet, despite corporate concerns, PBGC has not taken steps to fully explore all available compensation options with OPM and the Office of Management and Budget (OMB).

Our prior work has found that the insufficient and ineffective use of flexibilities can significantly hinder the ability of an agency to recruit, hire, retain, and manage its workforce, and that the effective, efficient, and transparent use of human capital flexibilities must be a key component of agency efforts to address human capital challenges.[26] According to our Internal Control Management and Evaluation Tool, an agency's compensation system should be adequate to acquire, motivate, and retain personnel, and incentives should be used to provide encouragement for personnel to perform at their maximum capability. Further, to assist

[26]GAO, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces.* GAO-03-2 (Washington: D.C.: December 2002).

agencies, OPM has developed a handbook describing currently available human capital flexibilities.[27]

In recent years, PBGC has made use of various human capital flexibilities in which the corporation has discretionary authority to provide direct compensation in certain circumstances to support its recruitment and retention efforts. Our review of PBGC's use of the compensation options recorded in CPDF found that PBGC had used options such as recruitment and retention incentives, superior qualification pay-setting authority, and special pay rates for specific occupations.[28] We also found that PBGC used performance management incentives, such as awards (bonuses) for suggestions, superior accomplishments, or special acts. (See app. V for a list of selected compensation flexibilities and authorities.) However, some PBGC officials stated that the corporation has not used these flexibilities to their fullest potential. For example, some senior management officials said the corporation should provide recruitment and retention incentives to more employees. Our review of CPDF found that between fiscal year 2004 and 2007, PBGC used recruitment incentives 14 times and retention incentives 10 times.

Further, PBGC officials said that they had not recently explored additional flexibilities that required the approval of OPM and OMB to determine whether they would be applicable or appropriate for the corporation. For example, as of March 2008, PBGC officials said that they had not explored whether positions, such as its Chief Insurance Program Officer, Chief Financial Officer, and Chief Investment Officer—positions that require specialized technical expertise specifically related to defined benefit pension plan structure and finance—may fall under OPM's criteria for critical position pay authority.[29] While most of these positions are currently filled, PBGC officials have cited difficulty filling some of these more

[27]U.S. Office of Personnel Management: *Human Resources Flexibilities and Authorities in the Federal Government.* (Washington, D.C.: January 2008).

[28]Like most federal agencies, PBGC offers a wide range of employee benefits such as health benefits, life insurance benefits, paid leave and holidays, telecommuting or other flexible work schedules, transit subsidies, retirement investment options, flexible health spending accounts, long-term care insurance, student loan repayments, child care and car pool subsidies, and an on-site fitness center—most of which are available to other federal agencies.

[29]To apply critical position pay authority, the position must require a very high level of expertise in a scientific, technical, professional, or administrative field and be crucial to the accomplishment of an agency's mission.

technical positions and have expressed concern about filling them in the future as individuals leave. In another example, PBGC had not explored whether it would be appropriate or applicable to waive the recruitment and retention incentive limitation of 25 percent based on a critical agency need.

In addition to not exploring all available compensation options, PBGC has done little over the last decade to determine what effect its compensation system and lower pay ranges may have on its recruitment and retention efforts and the extent to which an alternative pay system may be needed. In the early 1990s, PBGC evaluated its workforce and conducted a compensation study comparing its compensation system with those of federal financial regulators and the private sector. The study concluded that some PBGC staff were relatively under compensated compared to the private sector and those federal agencies classified under FIRREA.[30] On the basis of that evidence, PBGC sought to establish a new compensation system (outside of the federal government's General Schedule and merit pay systems), arguing that PBGC could do so because the corporation did not pay compensation entirely from appropriated funds. However, in response, the Solicitor of Labor concluded that PBGC's compensation was in fact paid from appropriated funds and that PBGC was not exempt from the General Schedule. As of March 2008, DOL's Office of the Solicitor had not changed its conclusions. In addition, GAO has long held the view that the revolving funds of PBGC are appropriated funds.[31]

According to PBGC officials, the corporation has not taken steps to evaluate its compensation structure since the early 1990s, because of the position taken by the Department of Labor. Officials told us that it would not be cost-effective for the corporation to invest resources in evaluating the corporation's compensation structure if no action could be taken to modify the pay system, if needed. However, other federal agencies also facing increased workload demands have in some cases explored and obtained alternative pay systems—systems where market rates and performance are central drivers of pay—after establishing a need for additional compensation. For example, Congress enacted FIRREA after

[30]FIRREA was enacted after the Savings and Loan Crisis, when many savings and loan institutions in the United States failed. As noted earlier in this report, the act provided certain federal financial regulatory agencies flexibility to establish their own pay systems.

[31]See, e.g., B-307849 (Mar. 1, 2007).

the U.S. savings and loan crisis, and specifically provided the federal financial regulators with the flexibility to establish their own pay system.

Conclusions

Although PBGC is a relatively small agency, it is faced with the challenge of insuring retirement income for millions of Americans' promised defined benefit pensions. Because of this, PBGC must have at its disposal a highly qualified workforce with the skills necessary to seek the best financial arrangements needed to support its mission. While it appears that PBGC is generally able to hire and retain key staff, the corporation has faced hiring and retaining difficulties in certain technical positions, such as its financial analysts and chief financial officer. In addition to these difficulties, the corporation may face several workforce challenges in the near future if it does not take steps now to strategically prepare itself by identifying its current and future challenges. However, because PBGC does not systematically collect and analyze all necessary workforce data, the foundation on which to identify and address such challenges is limited. In order to develop strategies for identifying and filling any workforce gaps or spotlight areas in need of attention, PBGC management must rely on valid workforce data. If it does not, the corporation's ability to effectively target its resources or know which key areas to focus on when recruiting, developing, and retaining top talent is limited. While the costs of collecting such data may require some trade-offs among PBGC's competing priorities, the costs of making decisions without the necessary information could be even greater over time.

PBGC officials have suggested that the corporation's compensation system places it at a competitive disadvantage not only with the private sector, but also with other federal entities when competing for some key staff. While such perceptions may be reasonable for certain occupations, the fact that PBGC has not fully explored all compensation options with OPM and OMB may hinder its ability to develop innovative compensation packages within its current statutory authorities. If PBGC were to fully exhaust all available options, PBGC executives, in conjunction with the corporation's board of directors, could more reasonably take steps to seek additional flexibilities, such as an alternative compensation structure, if it seemed warranted. By doing so, PBGC's ability to insure and deliver retirement benefits to the millions of Americans that rely upon them could be strengthened.

Recommendations for Executive Action

To improve PBGC's human capital management structure, we recommend that PBGC's Director instruct PBGC's Chief Management Officer to

- Integrate formal workforce and succession planning components as part of the corporation's efforts in developing a formal strategic planning approach to managing its workforce.
- Systematically collect and analyze workforce data and integrate the results of such analyses into its workforce planning efforts. Such an approach could include updating PBGC's 2002 Workforce Planning Report, analyzing the reason for and the associated costs of its attrition, and identifying the types of skills and competencies critical to PBGC's mission.
- Fully explore with the Office of Personnel Management and Office of Management and Budget all compensation options currently available to determine and document what options are appropriate and applicable within its statutory authority. Subsequently, the corporation should make use of all applicable and appropriate options, and continuously track, document, and monitor the use of such options. Once such steps are taken, PBGC should determine the extent to which its ability to hire and retain is hindered by its compensation structure. If such efforts conclude that PBGC is in fact hindered, the corporation's board of directors and Director should work to formulate recommendations to Congress for modifying its structure.

Agency Comments and Our Evaluation

We obtained written comments on a draft of this report from PBGC, which are reproduced in appendix VI. In addition, we provided copies of the draft report to the Departments of the Treasury, Labor, and Commerce as well as OPM for their comments. In instances where comments were provided, they were incorporated in the report where appropriate.

In response to our draft report, PBGC generally concurred with our recommendations and outlined the actions the corporation has underway or plans to take with regard to them. Specifically, PBGC stated that the corporation would do more to better manage its workforce particularly with regard to its human capital succession planning and workforce data analysis. PBGC reiterated the steps that the corporation is taking to strengthen its human capital management, and added that these improvements were expected to address many of our concerns. Further, PBGC stated that the corporation has taken steps in years past to explore compensation options, but noted that legal and policy considerations beyond the purview of PBGC's management have hindered the corporation's ability to do so. Nevertheless, as we recommended, PBGC stated that the corporation will continue to explore other compensation options considered appropriate and maintain a dialogue with OPM, OMB, and members of PBGC's board of directors regarding this issue.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of this report to the director of PBGC; the Secretaries of the Treasury, Labor, and Commerce; and other interested parties. We will also make copies available to others on request. If you or your staff have any questions concerning this report, please contact me on (202) 512-7215. Key contributors are listed in appendix VII.

Barbara D. Bovbjerg
Director, Education, Workforce, and
Income Security Issues

Appendix I: Scope and Methodology

To determine the Pension Benefit Guaranty Corporation's (PBGC) recent experience in hiring and retaining mission-critical staff, we worked with PBGC executives and human capital officers to identify which staff were considered critical to PBGC's mission. On the basis of these discussions and in conjunction with a 2002 PBGC workforce planning team report, it was agreed with PBGC officials that we would focus on seven occupations that were considered key to the corporation's business operation and also made up the majority of the corporation's workforce. These occupations were

1. accountants,
2. actuaries,
3. attorneys,
4. auditors,
5. financial analysts,
6. information technology specialists, and
7. pension law specialists.

After identifying these key occupations, we assessed PBGC's recent experience in hiring and retaining staff by using the Office of Personnel Management's (OPM) Central Personnel Data File (CPDF) to identify different workforce data, such as hiring, attrition, separation types, retirement eligibility, federal tenure, and pay averages for these positions. To identify trends in some of these data, we analyzed hiring, attrition, and separation workforce data sets for PBGC's key occupations from fiscal year 2000 to 2007 and compared attrition and separation information with comparable information from the rest of the federal government for the same period. We chose to review this data from these fiscal years to determine what trends, if any, existed prior to and after the significant workload increases and financial liabilities resulting from several large companies terminating their defined benefit pension plans around fiscal years 2003 and 2004.

To assess the reliability of OPM's CPDF, we reviewed GAO's prior data reliability work on CPDF data.[1] We supplemented that work as necessary by analyzing employee movement using CPDF data when we found exceptions from standard personnel procedures, such as employees with a transfer-out code but with an accession code in the hiring agency that did not include a transfer-in code. We also found duplicate separation or accession records for the same individual on the same day. However, these types of data limitations represented less than 1/10th of 1 percent of the data used. As a result, we concluded that the data were sufficiently reliable for the purposes of our review.[2] We also requested attrition and other workforce data from PBGC's computerized system called the Federal Personnel and Payroll System (FPPS) to determine the extent to which CPDF data matched FPPS data. We reviewed related agency documentation, interviewed agency officials knowledgeable about the data, and brought to the attention of these officials any concerns or discrepancies we found with the data for correction or updating.[3] However, we did not independently verify the workforce data we received from PBGC. In a number of cases, we compared PBGC's CPDF data with data on other federal executive branch agencies as a group that employ the seven key occupations, or with financial regulators specifically.[4]

The following describes the steps that we took to identify selected workforce data in CPDF for the seven occupations.

[1]GAO, *OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs*, GAO/GGD-98-199 (Washington, D.C.: Sept. 30, 1998), and GAO, *Human Capital: Diversity in the Federal SES and Senior Levels of the U.S. Postal Service and Processes for Selecting New Executives*, GAO-08-609T (Washington, D.C.: Apr. 3, 2008.)

[2]While we concluded that the CPDF information was sufficiently reliable for the purposes of our review, we did not independently verify the database as part of this review.

[3]CPDF data did not include complete information on pension law specialists for part of fiscal years 2005, 2006, or 2007, due to PBGC's reassignment of those specialists to a non-pension law specialist code. This difference did not materially affect our CPDF analysis, and we included the relevant information for the newly coded specialists in figure 5 and table 2 in the body of the report.

[4]These financial regulatory agencies include the Commodity Futures Trading Commission, Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Board, the National Credit Union Administration, Office of the Comptroller of the Currency, Office of Federal Housing Enterprise Oversight, Office of Thrift Supervision, and Securities and Exchange Commission. We did not include the Federal Reserve Board, as the CPDF does not include data for that agency.

Hiring

We identified all new hires for fiscal years 2000 through 2007 by using personnel action codes in CPDF for accessions to career or career conditional positions. Accessions include new hires and hires of individuals returning to the government. To put PBGC hiring into context, we used attrition data (discussed below) to compare the numbers of staff hired with the number of staff leaving. Additionally, we used PBGC hiring data from 2007 to describe how quickly PBGC fills its job vacancies and compared that data to OPM standards.

Attrition Rates

To determine the overall attrition rates for staff in these key positions, we analyzed data from the CPDF for fiscal years 2000 to 2007. For each fiscal year, we counted the number of permanent (career) employees with personnel actions indicating they had separated from PBGC. Separation (attrition) data for new hires included resignations, retirements, terminations, and deaths. We did not include a small percentage of individuals with inconsistent data such as multiple or different hiring or separation dates. The small percentage of employees with inconsistent data is congruent with the generally reliable data in the CPDF we have reported previously. We then divided the total number of separations for each fiscal year by the average of the number of these employees in the CPDF as of the last pay period of the fiscal year before the fiscal year of the separations and the number of these employees in the CPDF as of the last pay period of the fiscal year of separation.

To determine the attrition rates for new hires in the seven critical occupations, we used CPDF data to identify the newly hired staff and followed them over time to see how many left PBGC. We identified all new hires for fiscal years 2000 through 2007 by using personnel action codes for accessions to career or career conditional positions. Next, we determined whether these individuals had personnel actions indicating they had separated from PBGC. By subtracting the hire date from the separation date, we determined how long individuals worked before separating. We calculated the attrition rates for a specific time period by dividing the number of individuals who left within that time period by the total number of new hires tracked for that time period.

Once we identified the overall attrition and new hire attrition rates, we examined CPDF data to determine any patterns or trends for each of the seven key occupations and for PBGC executives. Additionally, we conducted a comparative analysis by calculating the attrition rates of the rest of the federal government and the federal regulators to put PBGC attrition rates into context.

Separations

To identify the ways key staff separated from PBGC from 2000 through 2007, we reviewed CPDF data identifying employees who resigned from federal employment, retired, transferred to another federal agency, or were separated in another way, such as a reduction in force. As part of this work, we built on our analysis of the CPDF to determine the extent to which PBGC is losing staff to other federal agencies. To determine those PBGC staff that moved to another federal agency, we identified employees who had a CPDF separation code for a voluntary transfer and who also had a CPDF accession code from a federal agency within 25 days of the transfer out. We analyzed separation data to determine any patterns for the receiving agency. To understand whether there were any patterns within PBGC's key occupations, we reviewed CPDF data to examine the distribution by type of separation for each of the key occupations. To put PBGC's separation data into context, we compared the types of separations for its key employees with the same information for the rest of the federal executive branch agencies. To identify the reasons that staff left PBGC, we reviewed available reports with information about the reasons for attrition and interviewed officials to determine the reasons why employees leave the agency and how PBGC collects data on such departures.

Retirement Eligibility Rates

To determine PBGC employee retirement eligibility for fiscal years 2012 and 2017, and after 2017, we used CPDF information on age at hire, years of service, birth date, and retirement plan coverage. We compared PBGC eligibility information to eligibility information for staff in the seven key occupations in the rest of the federal government.

Federal Tenure Rates

To determine federal tenure rates, we examined CPDF information on number of years of federal service for key staff, at both PBGC and other federal agencies. We compared PBGC tenure information to tenure information for staff in the seven key occupations in the rest of the federal government. We also compared CPDF federal tenure data to PBGC's data for length of service at PBGC specifically.

Average Pay and Pay Ranges

To report on the average pay and pay ranges for employees in selected occupations and executives, we analyzed basic pay data from CPDF from September 2007 for PBGC, financial regulators, and other federal executive branch agencies that also had staff in the seven mission-critical categories. Using CPDF, we determined the low, high, and mean pay for each of these occupational categories and executives. We did not separately analyze locality pay for these entities.

To identify the steps that PBGC had taken to strategically hire and retain key staff, we reviewed previous GAO work on strategic human capital management, PBGC's single-employer insurance programs, and the corporation's management challenges. We also reviewed information on PBGC's organizational objectives and succession planning goals from documents such as annual reports and workforce or succession plans. Moreover, we reviewed GAO and OPM reports on human capital to establish criteria for PBGC's recruitment, retention, and succession planning efforts. On the basis of the information we obtained, we assessed PBGC's human capital strategic plan, performance measures, and policies and procedures against GAO's Standards for Internal Controls in the Federal Government to determine if internal control weaknesses or inefficiencies existed. Weaknesses identified directed our review of PBGC's human capital operations and were explored further in interviews with PBGC officials.

We reviewed PBGC's efforts to analyze attrition, interviewed PBGC and OPM officials, and relied on prior GAO reports on federal human capital issues to determine how federal agencies develop and analyze data on the reasons for this attrition.

We also reviewed

- other selected agencies' performance management and pay systems, including succession and strategic plans, guidance, and policies and procedures on the systems;
- PBGC's internal assessments of its workforce challenges;
- OPM's 2006 Federal Human Capital Survey;
- recent OPM human capital operations audits; and
- OPM's 2006 Recruitment, Relocation, and Retention study.

Further, we reviewed relevant provisions of federal law, including the Employee Retirement Income Security Act of 1974; the Government Corporation Control Act; the Financial Institutions Reform, Recovery, and

Enforcement Act of 1989; and the Classification Act. As part of this work, we collected and reviewed memorandums and documentation related to PBGC's compensation proposal as well as correspondence from the Department of Labor (DOL) and Office of Management and Budget (OMB). We also obtained a legal opinion from DOL's Office of the Solicitor confirming that DOL still held the view that PBGC is not exempt from the General Schedule. Moreover, we collected documents and interviewed officials at PBGC to determine the extent to which PBGC governance and organizational structure have affected PBGC's ability to pursue alternative compensation and benefit flexibilities. We also used recent GAO work that reviewed compensation flexibilities at the financial regulatory agencies.

To gather information on PBGC's use of human capital flexibilities related to compensation, we used CPDF data to calculate the number of occasions on which these flexibilities were administered between fiscal year 2004 and 2007. Specifically, we identified the number of times PBGC used recruitment incentives, individual and group cash awards, individual and group time-off awards, individual and group suggestion/invention awards, quality step increases, student loan repayments, and retention incentives. In addition, we interviewed PBGC's human capital officials to determine if PBGC was using certain compensation flexibilities that we did not identify in CPDF. We did not assess whether PBGC was using these flexibilities appropriately.

To address both objectives, we also interviewed board representatives, the PBGC Director, PBGC's executives, senior PBGC management officials, and officials from OPM and DOL. Additionally, we met with the corporation's union representatives and PBGC's Inspector General, and coordinated with OPM's human capital evaluators regarding their audit of PBGC human capital policies and programs. At the time of our review, OPM officials confirmed they were finalizing a PBGC Human Resource Operations Evaluation. While OPM's review covered certain aspects of strategic human capital management, OPM's review also focused on specific human capital programs, such as competitive examining.[5] OPM officials stated they would be presenting findings and working with PBGC on corrective measures to improve the corporation's human capital program.

[5] OPM delegates competitive examining authority to federal agencies to fill competitive civil service jobs with applicants from outside the federal workforce and with federal employees that do and do not have competitive service status. OPM can suspend or revoke an agency's certification of an agency's delegated examining office at any time, with or without advance notice. For more information on OPM's competitive examining process, see OPM, *Delegated Examining Operations Handbook: A Guide for Federal Agency Examining Offices* (Washington, D.C.: May 2007).

Appendix II: List of Federal Financial Regulators and their Mission

Federal financial regulator	Mission
Commodity Futures Trading Commission	Regulates commodity futures and option markets in the United States.
Farm Credit Administration	Ensures a safe, sound, and dependable source of credit and related services for agriculture and rural America.
Federal Deposit Insurance Corporation	Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $100,000 per depositor; by identifying, monitoring, and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.
Federal Housing Finance Board	Regulates the 12 Federal Home Loan Banks that were created in 1932 to improve the supply of funds to local lenders that, in turn, finance loans for home mortgages.
Federal Reserve Board	Conducts the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices; supervises and regulates banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers; maintains the stability of the financial system and containing systemic risk that may arise in financial markets; provides certain financial services to the U.S. government, to the public, to financial institutions, and to foreign official institutions, including playing a major role in operating the nation's payments systems.
National Credit Union Administration	Charters and supervises federal credit unions. National Credit Union Administration, backed by the full faith and credit of the U.S. government, operates the National Credit Union Share Insurance Fund (NCUSIF) insuring the savings of 80 million account holders in all federal credit unions and many state-chartered credit unions.
Office of the Comptroller of the Currency	Charters, regulates, and supervises all national banks. It also supervises the federal branches and agencies of foreign banks.
Office of Federal Housing Enterprise Oversight	Promotes housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation)—the largest housing finance institutions in the United States.
Office of Thrift Supervision	Primary federal regulator of federally chartered and state-chartered savings associations, their subsidiaries, and their registered savings and loan holding companies.
Securities and Exchange Commission	Administers federal securities law in the United States. The agency is charged with protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

Source: GAO analysis.

Appendix III: Elements of Strategic Human Capital Management

People are an agency's most important organizational asset. An organization's people define its character, affect its capacity to perform, and represent the knowledge base of the organization. As such, effective strategic human capital management approaches serve as the cornerstone of any serious change management initiative. They must also be at the center of efforts to transform the cultures of federal agencies so that they become less hierarchical, process-oriented, stovepiped, and inwardly focused; and flatter and more results-oriented, integrated, and externally focused.

Studies by several organizations, including GAO, have shown that successful organizations in both the public and private sectors use strategic management approaches to prepare their workforces to meet present and future mission requirements. For example, preparing a strategic human capital plan encourages agency managers and stakeholders to systematically consider what is to be done, how it will be done, and how to gauge progress and results. Federal agencies have used varying frameworks for developing and presenting their strategic human capital plans. Various agencies are using OPM's Human Capital Assessment and Accountability Framework (HCAAF) as the basis for preparing such plans. HCAAF, which the Office of Personnel Management developed in conjunction with the Office of Management and Budget and us, outlines six standards for success, key questions to consider, and suggested performance indicators for measuring progress and results. These six standards for success and related definitions are as follows:

Strategic alignment: The organization's human capital strategy is aligned with mission, goals, and organizational objectives and integrated into its strategic plans, performance plans, and budgets.

Workforce planning and deployment: The organization is strategically utilizing staff in order to achieve mission goals in the most efficient ways.

Leadership and knowledge management: The organization's leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance.

Results-oriented performance culture: The organization has a diverse, results-oriented, high-performance workforce, and a performance management system that effectively differentiates between high and low performance and links individual, team, or unit performance to organizational goals and desired results.

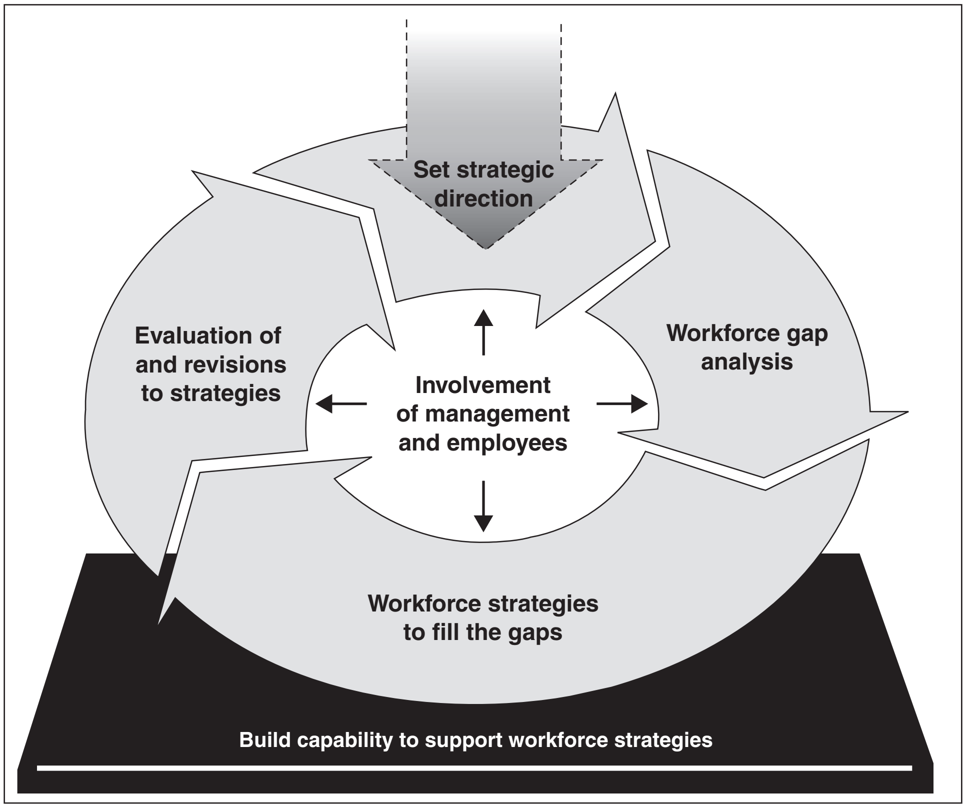
Talent management: The organization makes progress toward closing gaps or making up deficiencies in most mission-critical skills, knowledge, and competencies.

Accountability: The organization's human capital decisions are guided by a data-driven, results-oriented planning and accountability system.

As we have reported, strategic workforce planning, an integral part of human capital management and the strategic workforce plan, involves systematic assessments of current and future human capital needs and the development of long-term strategies to fill the gaps between an agency's current and future workforce requirements.[1] Agency approaches to such planning can vary with each agency's particular needs and mission; however, our previous work suggests that irrespective of the context in which workforce planning is done, such a process should incorporate five key principles: (1) involve management and employees, (2) analyze workforce gaps, (3) employ workforce strategies to fill the gaps, (4) build the capabilities needed to support workforce strategies, and (5) evaluate and revise strategies (see fig. 8).

[1]GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: December 2003).

Figure 8: Strategic Workforce Planning Process



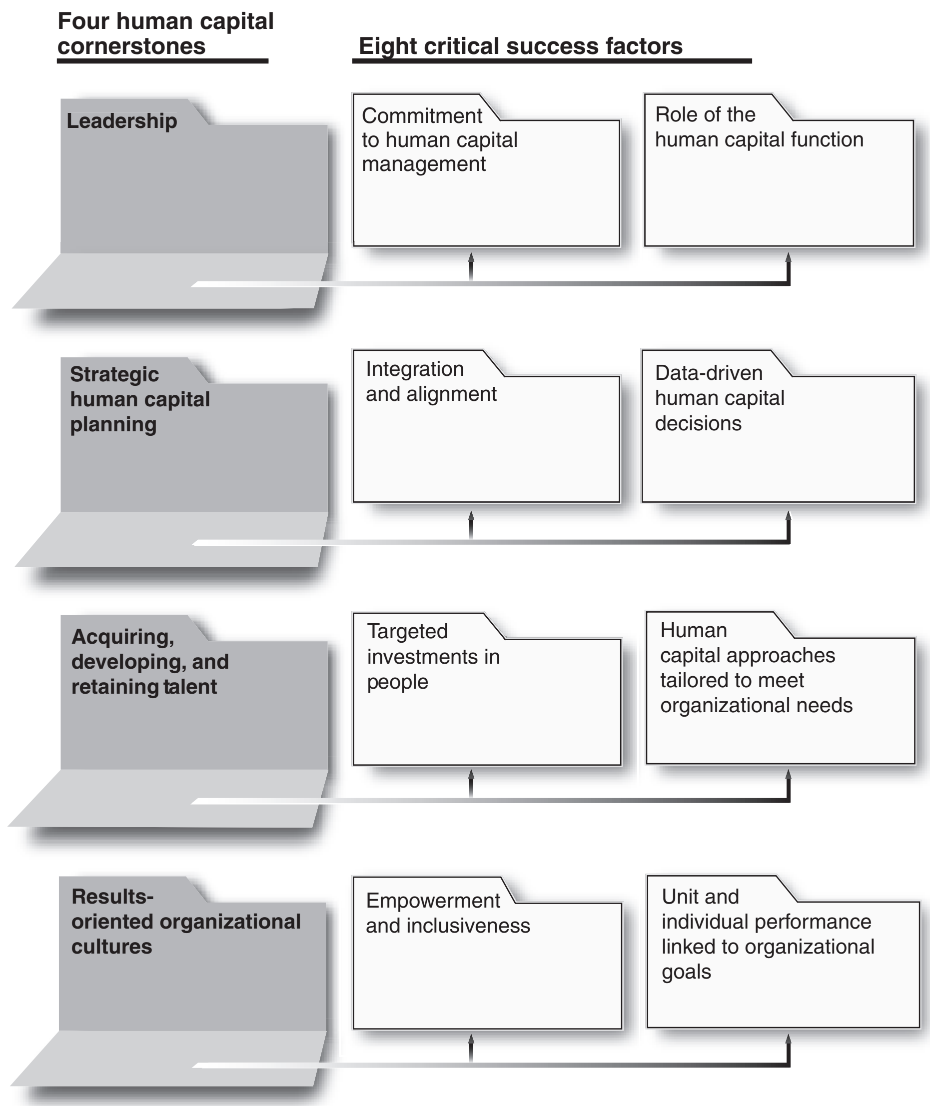
Source: GAO.

Our human capital model highlights the kinds of thinking that agencies should apply, as well as some of the steps they can take, to make progress in managing human capital strategically.[2] The model consists, in part, of the Critical Success Factors Table. This table identifies eight critical success factors for managing human capital strategically, which embody an approach to human capital management that is fact-based, focused on strategic results, and incorporates merit principles and other national goals. These factors are organized in pairs to correspond with the four governmentwide high-risk human capital challenges that our work has shown are undermining agency effectiveness (see fig. 9). When considering the human capital cornerstones and the critical success

[2]GAO, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: March 2002).

factors, it is important to remember that they are interrelated and mutually reinforcing. Any pairing or ordering of human capital issues may have a sound rationale behind it, but no arrangement should imply that human capital issues can be compartmentalized and dealt with in isolation from one another.

Figure 9: Human Capital Cornerstones and Success Factors



Source: GAO.

All of the critical success factors reflect two principles that are central to the human capital idea:

People are assets whose value can be enhanced through investment. As with any investment, the goal is to maximize value while managing risk.

An organization's human capital approaches should be designed, implemented, and assessed by the standard of how well they help the organization achieve results and pursue its mission.

In developing this model, we built upon GAO's *Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/OCG-00-14G, September 2000). Self-assessment is the starting point for creating "human capital organizations"—agencies that focus on valuing employees and aligning their "people policies" to support organizational performance goals. Certain unifying considerations should be kept in mind:

All aspects of human capital are interrelated: The principles of effectively managing people are inseparable and must be treated as a whole. Any sorting of human capital issues may have a sound rationale behind it, but no sorting should imply that human capital issues can be compartmentalized and dealt with in isolation from one another.

Trust requires transparency: To pursue its shared vision effectively, the agency must earn the trust of its workforce by involving employees in the strategic planning process and by ensuring that the process is transparent—that is, consistently making it clear that the shared vision is the basis for the agency's actions and decisions.

Merit principles and other national goals still apply: Performance-based management does not supersede the merit principles or other national goals, such as veterans' preference. A modern merit system will achieve a reasonable balance among taxpayer demands, employer needs, and employee interests.

Constraints and flexibilities need to be understood: The purpose of human capital self-assessment is to help agencies target areas in which to make changes in support of their organizational missions and other needs. Agencies that identify areas for improvement need to learn what constraints exist that apply to them and what flexibilities are available.

Fact-based human capital management requires data: Federal agencies typically do not have the data required to effectively assess how well their human capital approaches support results. A more fact-based approach to human capital management will entail the development and use of data that demonstrate the effectiveness of human capital policies and practices—thereby improving managers' ability to maximize the value of human capital investments while managing the related risks.

The use of best practices requires prudent decision making: Identifying best practices and benchmarking against leading organizations are both potentially useful and important pursuits. Federal agencies must be careful to recognize the unique characteristics and circumstances that make organizations different from one another and to consider the applicability of practices that have worked elsewhere. For example, the environments in which public and private sector organizations operate differ significantly; our work has shown that many management principles identified in the private sector are applicable to the federal sector, but these differences need to be taken into account when agencies consider alternatives to their current management approaches.

Attention to human capital must be ongoing: To be effective, strategic human capital management requires the sustained commitment and attention of senior leaders and managers at all levels of the agency. Managing the workforce is not a problem for which the organization can supply an answer and then move on. Rather, managers must continually monitor and refine their agencies' human capital approaches to ensure their ongoing effectiveness and continuous improvement.

Appendix IV: Minimum and Maximum Pay Ranges and Average Basic Pay for Critical Occupations by Selected Federal Agency

Base salary minimum and maximum by occupation

Regulator	Accountant	Actuary	Attorney	Auditor
PBGC	$46,974 $120,981 ●$72,130	$25,623 $120,981 ●$72,131	$71,415 $120,981 ●$99,724	$25,623 $108,573 ●$67,929
FIRREA - CFTC	$95,782 $134,434 ●$113,760	CPDF did not indicate that CFTC, FCA, FDIC, FHFB, NCUA, OCC, OFHEO, OTS, and SEC employed actuaries as of September 2007	$87,647 $176,359 ●$128,022	$73,965 $135,820 ●$101,369
FCA	$99,678 $128,161 ●$118,772		$81,541 $187,077 ●$132,851	$105,932 $187,077 ●$134,718
FDIC	$71,371 $131,026 ●$104,225		$83,050 $169,660 ●$140,121	$56,526 $145,063 ●$112,068
FHFB	$113,313 $129,579 ●$121,446		$114,868 $133,437 ●$128,297	$75,346 $110,654 ●$93,000
NCUA	$67,739 $112,918 ●$93,744		$62,679 $229,187 ●$128,016	$108,658 $225,000 ●$152,865
OCC	$46,110 $160,673 ●$104,538		$73,540 $231,000 ●$130,824	CPDF did not indicate that OCC, OFHEO, and OTS employed auditors as of September 2007
OFHEO	$66,828 $169,000 ●$121,317		$80,000 $183,036 ●$139,565	
OTS	$79,000 175,795 ●$126,637		$109,856 $185,198 ●$151,078	
SEC	$48,855 $156,331 ●$116,183		$61,597 $156,331 ●$127,566	$84,628 $100,802 ●$92,597
Other federal agencies	$25,623 $145,400 ●$68,951	$31,740 $168,000 ●$91,048	$38,824 $201,365 ●$100,142	$25,623 $164,467 ●$69,844

Source: GAO analysis of CPDF data.

Base salary minimum and maximum by occupation

Executive	Financial analyst	Information technology specialist	Pension law specialist	Regulator
$111,676 $145,400 ●$132,456	$40,118 $111,675 ●$80,712	$31,740 $120,981 ●$89,501	$50,106 $82,575 ●$64,943	PBGC
We were not able to identify executives in CFTC and FCA with CPDF data[d]	$76,480 $78,732 ●$77,606	$48,199 $151,601 ●$106,780	CPDF did not indicate that CFTC, FCA, FDIC, FHFB, NCUA, OCC, OFHEO, OTS, and SEC employed pension law specialists as of September 2007	FIRREA - CFTC
	$60,950 $134,881 ●$96,769	$48,000 $177,781 ●$97,897		FCA
$134,520 $240,000 ●$176,377	$52,004 $148,850 ●$102,500	$64,185 $161,992 ●$104,521		FDIC
$125,602 $214,685 ●$158,454	$48,807 $134,389 ●$97,950	$114,868 $134,389 ●$121,375		FHFB
We were not able to identify executives in NCUA with CPDF data[d]	$54,810 $150,290 ●$100,344	$57,325 $150,290 ●$107,321		NCUA
$159,785 $222,500 ●$201,702	$74,493 $168,695 ●$112,268	$59,305 $150,949 ●$102,857		OCC
$188,263 $220,653 ●$205,319	CPDF did not indicate that OFHEO employed financial analysts as of September 2007	CPDF did not indicate that OFHEO employed IT specialists as of September 2007		OFHEO
$152,427 $249,165 ●$194,615	$52,000 $165,760 ●$117,669	$46,826 $192,308 ●$113,228		OTS
$131,561 $185,880 ●$167,706	$61,597 $156,331 ●$97,460	$54,022 $151,841 ●$96,087		SEC
$75,446 $215,700 ●$153,069	$31,740 $120,981 ●$71,979	$25,161 $150,629 ●$71,294	$38,824 $120,981 ●$88,510	Other federal agencies

Notes: The figure shows the minimum base salary and the maximum base salary of an occupation for which CPDF data indicated that agencies had staff as of September 2007. These reported base salaries do not include locality pay or certain other pay, such as retention incentives or spot awards. The figure does not show the minimum and maximum pay allowed by statute. However, the maximum pay allowed under the General Schedule in September 2007, for a GS-15, Step 10, in Washington, D.C., was $120,981 (not including locality pay). While the General Schedule is the federal government's main pay system for white collar positions, some employees in certain other federal agencies, including the federal financial regulatory agencies, are not in the General Schedule system and have different possible salary ranges (see GAO-07-678).

Executives include political appointees above GS-15, such as those in the Senior Executive Service, those in the Senior Level and Senior Scientific or Professional pay plans, and equivalent officials. Different executive pay plans have different pay ceilings. For example, the Senior Level and Senior Scientific and Professional pay plans (SL and ST) have lower ceilings than the Senior Executive Service pay plan. PBGC executives included the Director of PBGC and those in the Senior Level pay plan. The maximum base pay allowed for SES in 2007 was the rate for level II of the Executive Schedule ($168,000) for agencies with a certified performance appraisal system, or the rate for level III of the Executive Schedule ($154,600) for agencies without a certified performance appraisal system. The maximum base pay allowed for SL/ST employees in 2007 was $145,400 (the rate for level IV of the Executive Schedule). However, SL/ST employees working in the 48 contiguous States also received locality payments ranging from 12.6percent to 30.3 percent in 2007, depending on location, with locality rates capped at the rate for level III of the Executive Schedule, or $154,600.

We submitted the relevant PBGC data to PBGC officials, who concurred with the basic ranges and averages for PBGC.

While CFTC, FCA, and NCUA senior management could be classified as executives, each agency has a pay plan that, as of this writing, did not allow GAO to specifically identify executives' salaries through CPDF.

The agencies in the table include the Commodity Futures Trading Commission (CFTC), Farm Credit Administration (FCA), Federal Deposit Insurance Corporation (FDIC), Federal Housing Finance Board (FHFB), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Office of Federal Housing Enterprise Oversight (OFHEO), Office of Thrift Supervision (OTS), Pension Benefit Guaranty Corporation (PBGC), Securities and Exchange Commission (SEC), and the Federal Reserve Board (FRB).

Appendix V: Selected Compensation Flexibilities and Authorities Available in the Federal Government

Flexibilities addressing recruitment of new employees	
Recruitment incentive	A monetary payment to a newly hired employee when the agency has determined that the position is likely to be difficult to fill in the absence of such an incentive. The employee must sign an agreement to complete a specified period of service with the agency (not to exceed 4 years).
Recruitment and relocation incentives in excess of 25 percent	Upon the request of the head of an agency, OPM may waive the recruitment or relocation incentive 25 percent limitation based on a critical agency need. Under such an approval, the total amount of recruitment or relocation incentive payments may not exceed 50 percent of an employee's annual rate of basic pay at the beginning of the service period multiplied by the number of years in the service period.
Superior qualifications and special needs pay-setting authority and special qualifications appointments	Agencies may set the rate of basic pay of a newly appointed employee at a rate above the minimum rate of the appropriate General Schedule grade because (1) the candidate has superior qualifications or (2) the agency has a special need for the candidate's services.
Flexibilities addressing the retention of employees	
Quality step increase	A step increase to reward General Schedule employees at all grade levels who display high-quality performance. It is a step increase that is given sooner than the normal time interval for step increases.
Individual and group cash award	A monetary award to recognize superior employee and group performance (also known as spot awards).
Individual and group suggestion/Invention award	A monetary award for suggestions, inventions, or a productivity gain.
Individual and group time-off award	An award of time off to recognize superior employee and group performance.
Referral incentive	A monetary award to recognize employees who bring new talent into the agency.
Retention incentive	A monetary payment given to a current employee when the agency determines that the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee and if the employee would be likely to leave the federal service in the absence of a retention incentive.
Retention incentive in excess of 25 percent for individuals and 10 percent for groups of employees	At the request of an agency head, OPM may waive the retention incentive limitation of 25 percent of basic pay for individual employees or 10 percent for a group or category of employees (but not to exceed 50 percent of basic pay) based on a critical agency need. The agency must determine the unusually high or unique qualifications of the employee(s) are critical to the successful accomplishment of an important agency mission, project, or initiative (e.g., programs or projects related to a national emergency or implementing a new law or critical management initiative).
Flexibilities addressing the recruitment of new employees and/or retention of employees	
Student loan repayment	The federal student loan repayment program permits agencies to repay federally insured student loans as a recruitment or retention incentive for candidates or current employees of the agency.
Relocation incentive	A monetary payment to an employee who must relocate to a position in a different geographic area that is likely to be difficult to fill in the absence of such an incentive. In return, the employee must sign an agreement to fulfill a period of service of not more than 4 years with the agency.
Critical Position Pay Authority	OPM may, upon the request of an agency head, and after consultation with OMB, grant authority to fix the rate of basic pay for one or more critical positions in an agency at not less than the rate that would otherwise be payable for that position, up to the rate for level I of the Executive Schedule under the critical pay authority. A higher rate of pay may be established upon the President's written approval.

Source: U.S. Office of Personnel Management, Human Resources Flexibilities and Authorities in the Federal Government, (Washington, D.C.: January 2008).

Appendix VI: Comments from the Pension Benefit Guaranty Corporation

PBGC
Protecting America's Pensions

Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

Office of the Director

May 27, 2008

Barbara D. Bovbjerg, Director
Education, Workforce, and Income Security Issues
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Ms. Bovbjerg:

Thank you for the opportunity to comment on the draft version of your report entitled, "Pension Benefit Guaranty Corporation--A More Strategic Approach Could Improve Human Capital Management" (GAO-08-624). GAO's efforts in performing this important work are certainly appreciated.

PBGC guarantees the basic pension benefits covering 44 million individuals in more than 30,000 private-sector defined benefit plans. PBGC manages more than $55 billion in assets. This makes PBGC one of the largest institutional investors in the country. Continuing to recruit and retain employees with the specialized skills and training needed to accomplish our mission is a critical challenge, especially as nearly a quarter of our workforce may retire in the next four years. We are committed to continuing to work to ensure that PBGC's employees are able to meet the challenges facing America's pension insurance programs.

As your report acknowledges, PBGC's compensation structure is not competitive with certain other federal agencies that employ similar staff, including the Federal Deposit Insurance Corporation, Office of Federal Housing Enterprise Oversight, and the Securities and Exchange Commission. It also recognizes that PBGC has experienced difficulties in hiring senior financial analysts and retaining personnel in key executive positions. In fact, data reviewed by your staff showed that "PBGC highest pay for financial analysts . . . was lower than both the federal financial regulators and the rest of the federal government." Not only does PBGC face competition from other agencies, private sector firms value the specialized experience and training that PBGC provides its employees. For example, employees that possess experience in reviewing corporate and plan transactions, monitoring investment policies and returns, and negotiating in complex bankruptcies, are highly marketable to the private sector. Moreover, statistics showing recruitment and retention rates cannot fully capture the impact of employee turnover. Specifically, turnover causes PBGC to lose its investment in training and development of junior employees (hired in lieu of more experienced employees its pay scale cannot attract) when they become marketable and go to higher paying organizations. Viewed in tandem with the anticipated retirement surge, these facts highlight the need for PBGC to have a full set of tools to attract and retain qualified staff.

Your report indicates that PBGC has not fully explored compensation options available under existing law, yet the actual data cited in your report show that PBGC has implemented most of the recruitment and retention flexibilities available to it. For instance, PBGC has instituted programs that provide recruitment bonuses, retention allowances, superior qualifications pay setting authority, repayment of student loans, and telecommuting and other flexible work schedules to eligible employees. Even with all of this, the statutory limitations prevent PBGC from hiring the best qualified people to fill specific positions. PBGC has, over its history, explored the possibility of making structural changes to its existing compensation structure, including the possible application of the SES pay structure and use of alternative pay authorities. However, legal and policy considerations beyond the purview of the PBGC's management have hindered our ability to do so. Nevertheless, as recommended, we will continue to explore other compensation options considered appropriate for implementation at PBGC, and continue to have a dialogue with OPM, OMB, and members of our Board of Directors on this important issue. As your report notes, we may eventually need to seek a legislative solution, as other agencies overseeing the financial sector have done. As stewards of $55 billion-plus in investment assets, with the responsibility of negotiating with some of the most sophisticated financial talent in the private sector, PBGC needs additional flexibilities in order to be competitive.

Your report also highlights that PBGC can do more to better manage its investment in its workforce, particularly with regard to human capital and succession planning and workforce data analysis, and we agree. PBGC took action last year in hiring a new Director of the Human Resources Department. Under the new Director, we have completely reorganized that office, including process improvements in employee development, performance accountability, and service delivery. Furthermore, PBGC is fully engaged in developing its strategic human capital plan, designed to integrate formal workforce and succession planning components and take advantage of improved collection and analysis of workforce data. We expect to submit this plan to OPM and OMB by the end of Fiscal Year 2008, and expect that this plan and supporting activities will address the report's other recommendations.

Your efforts and those of your staff in preparing this important report are valued. Again, thank you for the opportunity to comment.

Sincerely,

Charles E. F. Millard

Appendix VII: Contacts and Acknowledgments

GAO Contact

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Acknowledgments

The following team members made key contributions to this report: David Lehrer, Assistant Director; Jason Holsclaw, Analyst-in-Charge; Susannah Compton; Monika Gomez; Catherine Hurley; Anar Ladhani; Armetha Liles; Andrew Nelson; Mimi Nguyen; Jessica Orr; Roger Thomas; Rebecca Shea; and Gregory Wilmoth.

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